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Business travel

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Is Europe falling behind the US and Asia?

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World Business Newspaper http://www.FT.com

FT Mastering Enterprise

Part Ten: Harvesting, floating and exit.

AND THE STREET SCORES Chicago may review London English the property of the futures link plan

The Chicago Board of Trade, the world's busiest The Chicago Board of Trade, the working second thoughts futures exchange, is having second thoughts futures exchange, is having second thoughts futures exchange, is having second thoughts about its planned partnership with the London about its planned partnership with the first state of the first life rights to trade International Financial Futures and State Backange. The link offers Liffe rights to trade Exchange. The one offers desired to be the CBOT's US Treasury bond futures contract when Chicago's trading floor is closed, but CBOT members question why Chicago contracts should shift to London when an electronic trad-ing system can reach the same customers at lower costs. Page 21

Beiglans protest at unemployment: More than 40,000 protested against job losses at bank-rupt Belgian steelworks Forges de Clabecq in rupt Belgian steetworks rouges at the country's second mass industrial demonstrathe country of the tion in a week. Page 2

Canadian priest murdered: Canadian Roman Catholic priest Guy Pinard, 61, was shot dead as he celebrated mass at his parish church in north west Rwanda.

More killed in Algeria violence: Killers with knives and exes decapitated 31 people in the Algerian town of Medea at the weekend, reports said. About 310 people have been killed and some 600 injured in the fresh violence blamed on Moslem militants. Italy reassures

Algeria. Page 4; Editorial Comment, Page 19 US and China in trade deal: Beijing and Washington reached a last-minute agreement to extend a 1994 deal on access to textile markets. D 73.25 But the US said \$19m in penalties put on imports of Chinese textiles last September would stand. The US had accused China of mov-2.139 ing goods through third countries to avoid 7.00 quota curbs. Page 3

> Marchers mark Bloody Sunday: More than 20,000 people marched through the streets of Londonderry in Northern Ireland to mark the 25th anniversary of Bloody Sunday, the 1972 anti-internment demonstration which ended

😬 😐 🐷 French tourists killed: An aircraft filled with French tourists crashed seconds after takeoff from Tambacounda, Senegal, killing at least 23 people. The 29 others on board survived.

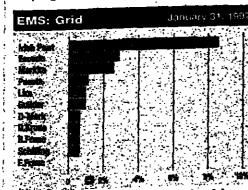
Corsica bomb blitz: Corsican separatist guerrillas defied a French government crackown, exploding more than 50 mostly small bombs in a few hours. No one was hurt. Page 2

irish innkeepers back down on been The Irish Republic's publicans reversed a 5p (8 US cents) rise in the cost of a pint of beer after the government threatened price controls. Page

Chase Capital Partners, merchant banking arm of Chase Manhattan, the largest US bank, is forming a venture to buy financial services companies across Latin America. Its aim is to "put together a regional Latin America-wide bank". Chase's partners include Infisa of Chile and the National Bank of Canada.

World Cup football row: The row over the venue for the 2006 World Cup took a new twist as European football's governing body UEFA claimed England knew two years ago that it was backing Germany to host the tournament. But England's Football Association said it knew nothing of the plan until late last week and pledged to continue its campaign to bring the event to England. Observer, Page 19

European Monetary System: The spread between the strongest and weakest currencies in the EMS grid narrowed slightly last week. The French franc remained the weakest currency in the system and the Irish punt the strongest. The Italian lira slipped one place and the Belgian franc dropped two places. Curren-



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Showdown on Cuba trade

By Guy de Jonquières

on Emu start

The confrontation is likely to come to a head this week. when Brussels is expected to ask Mr Renato Ruggiero, WTO director-general, to break a procedural deadlock with the US by personally naming the members of a WTO panel to rule on an RII complaint that Helms-Burton violates world

Mr Ruggiero is obliged to

the US has threatened to block the case by vetoing his choice of panellists and challenging the WTO's right to judge the EU complaint. Washington says WTO intervention would infringe on the sovereign prerogative of governments to determine their national security arrangements.

could undermine the WTO's disputes procedure, its main instrument for enforcing trade disciplines and the bedrock of its institutional authority. "In terms of the multilateral trade system, it would be like pressing a nuclear button," a trade

THE FT IN DAVOS MORE REPORTS PAGE 6

Mr Ruggiero and some EU member states have sought to defuse the dispute by urging Sir Leon Brittan, the EU trade commissioner, to soften his line. But Sir Leon insists the US must further restrict its application of Helms-Burton, and of the D'Amato law, which penalises foreign investors in the energy industries of Libya

Clinton has already gone a long way to meet EU concerns by deciding late last year to

waive for a further six months which authorises private US court cases against foreign companies "trafficking" in Cuban assets that were seized from Americans. Mr Clinton said he would continue to extend the waiver if US allies maintained pressure on Cuba to move towards democracy. But Sir Leon said vesterday the move did not go far

tect EU interests, he wants the US officials say President US to curb a section of Helms-Burton that allows denial of US entry visas to foreign executives of companies deemed to

be in violation of the law. Sir Leon said it was politi-Europe to ask WTO to act on US law cally possible for the US to meet his demands, but talks with US officials in Washinga provision in Helms-Burton ton last week and in Davos over the weekend had not produced a compromise. "We are going to ask Renato Ruggiero to nominate a WTO panel straight away," he said.

As well as infuriating the US, such a step could provoke tensions between EU members. France is urging Sir Leon to take a more conciliatory stance, arguing that the WTO enough. As well as seeking could face difficulties if Washmore permanent action to proington blocked the case on national security grounds. But Italy, whose Stet telecommunications company is threatened by the legislation, is pressing

open skies agreement with US

By Michael Skapinker, Aerospace Correspondent

The UK is preparing to ahandon Bermuda II, the 20year-old aviation agreement with the US, in favour of a more liberal accord, partly to head off attempts by Brussels to negotiate on behalf of Europeen Union members.

The government has accepted that the restrictive agreement is outdated because of the worldwide move towards aviation liberalisation. The UK and US are believed to be closer to reaching a new "open skies" accord.

Negotiations, due to resume in Washington tomorrow. have been postponed because a IJK team member is ill. The US has made the conclu-

sion of an open skies agreement a precondition for approving the proposed alliance between British Airways and American Airlines.

The alliance provides for extensive co-operation between the airlines, with "code sharing", or the right to sell seats on each other's flights.

BA will today defend the proposed alliance at EU competition directorate hearings. Mr Robert Ayling, BA's chief executive, is expected to say that BA and American will lose up to \$1bn of revenues a year if they give up 168 weekly slots at London's Heathrow airport as required by the UK government.

Mr Ian Lang, UK trade and ndustry secretary, has said if BA and American give up 168 slots, their alliance will not be Mergers Commission.

US regulators are still examining the alliance. But Mr Karel Van Miert, EU competition commissioner, has said 168 slots are not enough and threatened legal action against the UK if it approves the deal on that basis.

Mr Ayling will argue today that the Commission itself has recognised the need for European airlines to form alliances with US carriers. In addition

Continued on Page 20

In Davos

The European Union is heading for a showdown with the US over its Helms-Burton anti-Cuba legislation, which trade diplomats fear could impose serious strains on relations and provoke a crisis in the World Trade Organisation.

Such unprecedented moves

and Iran.

respond to such a request. But diplomat said yesterday. German panel casts doubt

By Tony Jackson in Davos

German business leaders expressed strong doubts at the weekend over whether the European single currency would start on its January 1999 target date, and held up the prospect of market turmoil if Italy were among the first

Mr Ulrich Cartellieri, a Deutsche Bank board member, said there were only 400 working days until the target date and said "only a tiny fraction" of businesses had begun technihave considered the strategy

Speaking in a panel debate on the implications of the single currency for business, Mr Cartellieri said arguments between France and Germany over the role of the European central bank revealed a much deeper rift. "It shows there are strong fundamental doubts in both France and Germany about the whole concept."

It was also increasingly clear, he said, that Italy could not sustain a hard currency. How will France and Germany explain to Italy that it should stay out?" he asked. "In the view of many, if Italy is admitted it could be a timebomb within the union. If those issues drag on much longer, the whole scenario of Emu in 1999 might implode." The present confidence in

Senior figures in Britain's ruling Conservative party last night prepared to turn the European single currency into a key election issue, after Mr Robin Cook, the opposition Labour party's foreign affairs spokesman, gave the strongest sign yet that an incoming Labour government would sign up to the euro. Report,

the financial markets on the. single currency could change: rapidly, he said. "They may ! cal preparations. "Even fewer start to question whether it is" plain sailing for the euro, or

> Mr Ernst-Moritz Lipp, a Dresdner Bank board member, said: "Spain can make it. Italy probably not. But it does not work politically to have Spain take part in Emu without Italy." He said the possibility that a broad array of countries could launch the single currency was "a sword of Damocles hanging over financial markets".

Mr Carl Hahn, former chief executive of Volkswagen, was concerned about the immediate results of Emu. "Let us assume we are day one of Emu," he said. "The previous day, we had price levels varying across the EU by 20 to 25 per cent. Suddenly, prices will



Russian president Boris Yeltsin (left) shakes hands with his French counterpart Jacques Chirac after their three-hour summit meeting near Moscow- yesterday. Continued on Page 20 Report. Page 2

Clinton plans \$98bn tax cuts to honour poll pledge

gap between the two sides.

officials revealed that the pres-

cuts in Medicare, the bealth

insurance programme for the

elderly, Although Republicans

expressed doubts about the

reliability of the president's

figures, they acknowledged

that the plans represented a

Leading Republicans yester-

By Gerard Baker in Washington

President Bill Clinton will call for tax cuts worth \$96bn when he unveils his budget propos-als for the coming fiscal year, administration officials said The proposed reductions.

which will make good on promises given by the president in last year's election campaign, are intended to be achieved without prejudice to the broader aim of balancing the federal budget by 2002.

The cuts, to be announced on Thursday, will focus on providing relief for low-income families to improve access to higher education. But there

end of a critical week for Mr Clinton as he seeks to further his aim of securing a bipartisan approach with Congress to Mr Clinton's tax plans, but on a range of policy issues in

Guide to the Week ...

his second term. On Tuesday details: before deciding be will deliver his State of the whether they significantly whether they significantly Union address, in which he will reiterate his call for enhanced the prospects for agreement "I support the overall num co-operation with the Congress made in his inaugural address.

ber [\$98bn in tax cuts], but I'm not sure I support each item within it," said Mr Pete The Republican-controlled Congress, which must approve Domenici, chairman of the the final budget, is pushing for larger tax cuts, especially on Senate Budget Committee. Mr Trent Lott, the Senate capital gains, within the overall aim of balancing the budget in five years. Mr Clinton's proposals represent another small

majority leader, and Mr Newt Gingrich, the House Speaker, yesterday invited Mr Clinton to meet congressional leaders step towards narrowing the on Capitol Hill on Wednesday Last month administration to try to make broader progress on a range of legislative ident's budget would also include an estimated \$136bn in

But the spirit of comity between the two sides will continue to be undermined by political uproar over the Democratic party's campaign finances. At the weekend it was revealed that an official, tax-funded White House database was used to target potential donors. A Senate investigation into funding activities by the Democrats will begin after this week's display of bipartisan co-operation.

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will also be a small but politically significant capital gains tax cut for homeowners and additional tax relief for small huginesses. The budget will come at the

move towards their own goal of deeper social spending cuts. day gave a cautious welcome said they would wait for full

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Recovering Russian president meets Chirac

Yeltsin back in limelight

Mr Boris Yeltsin vesterday sought to reassert himself as Russian president by holding a three-hour summit meeting with Mr Jacques Chirac, his French counterpart.

The meeting, which focused on the planned eastward expansion of the Nato alliance this year, was Mr Yeltsin's first international appearance since he contracted pneumonia last month. It came amid increasing assertions that he was no longer physically able to run his country.

Mr Chirac said after a discussion which carried on for an hour beyond its planned length that he was "impressed by the speed of his recoverv". He said: "I found him, as always, extraordinarily well informed about all the problems of the world, which we discussed together, and very tough in the defence of Russia's interests, which is entirely legitimate."

The Kremlin is hoping the testimo-

doubts about his health which deepened last week after the Russia leader cancelled a planned trip to The Hague. The summit was also Moscow's latest move in its campaign to soften the blow of Nato expansion.

Having seemingly accepted its inevitability, Russia is now pressing the alli-ance to sign a formal charter in which current Nato members would pledge not to deploy nuclear missiles or heavy conventional weapons or to station their own troops on the territory of Nato's new eastern European initiates.

The US and most Nato partners oppose a legally binding agreement, which would require parliamentary ratification, but Russia is hoping to exploit tensions within the alliance. especially between Paris and Washington, to get its way.

After the meeting with Mr Yeltsin, Mr Chirac was optimistic that Nato and Russia could make a deal. But he agreement France would lobby for, saynial will help Mr Yeltsin shake off ing his government had no strong pref- Douglas Hurd.

ter and an informal declaration. After urging both Russia and his Nato allies to be flexible and show mutual respect, Mr Chirac said: "If

se conditions are met, I think, and this is my personal impression, that an agreement can be reached before the Madrid summit. At the summit, to be held in July, Nato is expected to issue invitations to

some eastern European countries to join the alliance. Appearing only fleetingly before western journalists, Mr Yeltsin smiled and spoke in a steady voice. But the Russian leader moved stiffly.

• Mr Alain Juppé, French prime minister, is due to meet Mr John Major, his UK counterpart, in London today, writes David Owen in Paris. He is also expected to hold talks with business leaders and institutional investors among the clients of NatWest Markets was noncommital as to what type of at the invitation of its deputy chairman, former foreign secretary Mr

Belgians protest at job losses

Belgium witnessed its second mass industrial demonstration in a week yesterday when more than 40,000 people joined a protest against unemployment at Forges de Clabecq, the bankrupt steelworks.

The march in Tubize, Walionia - Belgium's francophone southern region – followed last Wednesday's march through Brussels by 20,000 public sector workers in protest at government-imposed wage restraints and the threat to their jobs posed by privatisation. It sent a further signal of

public discontent to Belgium's government, which has been battered by a series of scandals. The four-party coalition was plunged into a new controversy last week when two senior members of the francophone Socialist party were arrested for alleg-

After charges of mishan- far fewer than the 250,000 dling a paedophile murder case last year in which at least four young girls died, and allegations against two ministers - of whom only one has been cleared - of holding the event. having sex with under-age boys, the latest worker unrest has increased the

pressure on an already weakened government. The original spur for the Tubize marchers, estimated by police at 35,000 but by union organisers at 50,000, was the threat to 1,800 jobs at Forges de Clabecq. The steelworks, 60 per cent owned by Wallonia, was declared bankrupt last December after the European Commission vetoed a BFr1.5bn (\$49m)

But the presence of the families of two young victims of a paedophile murder case which rocked Belgium last year gave the march a wider resonance. Although yesterday's so-called "Multicoloured March" attracted

rescue package.

demonstrators who joined October's "White March" in protest at official mishandling of the paedophile scandal, organisers said the response fully vindicated

The 4km-long column of marchers ringed Tubize before assembling for a mass rally inside the Clabecq compound

Mr Roberto D'Orazio, the branch leader of the FGTB socialist union who called the march, told the crowd it was a protest not just against the failure of Belgian and European Union employ-ment policies, but against all social injustice. "The system has failed our children and failed our workers," he said.

"It is up to us to change it." Clabecq's 1,800 jobs remain in doubt after Wallonia refused a request from the receivers for plant's BFr800m financing for a tem-

porary re-start.

the struggling, privately owned Walloon steelworks in merger talks with Hoogovens of the Netherlands Clabecq's closure would be a severe blow to Wallonia. Fig. ures last week suggested 4,800 Belgian jobs were lost in January alone, many of them in Wallonia. mear

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On top of its unemployment headache, and the need to impose a continuing austerity programme on Belgian citizens aimed at meeting the criteria for European monetary union, the government is under pressure to sweeping legal reforms

Mr Jean-Luc Dehaene. prime minister, has also come under pressure to expel the Socialist party from the coalition after two former Socialist ministers were accused of receiving funds illegally in the 1980s from Dassault, the French aviation group. All the par-With 800 jobs also threat- ties deny any wrongdoing.

EUROPEAN NEWS DIGEST

Tirana acts to boost currency

The Albanian authorities took tough measures at the weekend to bolster their fragile currency and prevent street protests ahead of Wednesday's planned pay-out to desperate investors in two failed pyramid finance schemes. The central bank intervened heavily in the foreign exchange market yesterday, selling large amounts of dollars in order to stop the collapse of the currency,

which fell sharply late last week. The lek, which at one point on Friday was trading at 136 leks to the dollar after losing more than 20 per cent of its value since the beginning of the year, climbed back to 114 during late trading yesterday. In a parallel move, the Bank of Albania has raised interest rates on lek deposits by up to 3.5 percentage points, bringing rates on one-year deposits to 22 from 19 per cent.

The police in Tirana put a heavy force on to the streets of the capital vesterday to block a planned protest led by Mr Azem Hajdari, the leader of the Albanian trade union movement who was one of the founders of the governing Democratic party that ousted the Communists in the Kevin Done and Kerin Hope, Tirano

Corsican rebels plant bombs

Separatist Corsican guerrillas mounted a show of force on Saturday, detonating more than 50 small bombs on the most violent night on the Mediterranean island for nearly a year. Nobody was hurt by the explosions, which damaged post offices, banks, tax offices and chambers of commerce around the island.

The Corsican National Liberation Front (FLNC) Historic Wing claimed responsibility for planting the bombs, which came after a pledge by France's centre-right government to crack down on the violence that has plagued the island for 20 years. David Quen, Paris

Swiss truck tolls criticised

European Union transport ministers have denounced as "unacceptably high" a recent proposal by Switzerland to impose a SFr600 (\$429) levy on each truck passing through its territory. The levy is intended to replace a ban it imposed on vehicles over 28 tonnes following a referendum. Much goods traffic bound for Italy has b diverted through France and Austria as a result, and the issue is hampering EU negotiations over a broader economic accord with Switzerland.

Mr Neil Kinnock, European transport commissioner, said: "SFr600 for crossing Switzerland is not even a figure to start talking about." He added: "The time available is not very great - we are not therefore talking about several months" before an agreement needed to be concluded to ease the burden on Switzerland's EU neighbours. At the ministers' meeting in Amsterdam, Mrs Annemarie Jorritsma, the Dutch transport minister. urged the Swiss to improve rail access through by tunnelling through the Alps. Gordon Cramb, Amsterdan

Polish group wins road deal

Autostrada Wielkopolska, a Polish consortium of construction companies and hanks led by the listed Elektrim power engineering conglomerate, has been chosen to build and operate the country's first big toll motorway, against strong competition from a foreign group led by Germany's Bilfinger and Berger (B&B). The decision on the \$1.5bn contract for the 364km

stretch of the A2 from Swiecko on the German border taken at the weekend by the ABiEA, the official toll motorway regulatory body. The ABiEA's recommendation now has to be approved by the government. The motorway programme envisages that private

finance will be used to build 2,500km of toll motorways in Poland in the next 15 years. Christopher Bobinski. Warsaw Holiday Inn, the Atlanta-based hotel group, is to open 20 hotels in Poland over the next 10 years in a franchise agreement with Global Hotels Development Group Poland. Global Hotels, which is seeking to raise \$120m, will own or manage the hotels under a franchise contract with Holiday Inn. owned by Bass, the UK brewer and Scheherazade Daneshkhu, Londo



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Turkey under fire for 'links to drugs trade'

By John Barbam in Ankara

wrkey's battered international image is under attack again but not this time for human rights violations. Instead the government is accused of involvement in the booming heroin trade between Afghanistan and Pakistan and western Europe.

Last month a German judge said Turkish gangs enjoyed "excellent relations" with the government in Ankara and even "personal con-tacts" with Mrs Tansu Çiller, foreign minister in the Islamist-led coalition. He said this seriously complicated German heroin-smuggling investigations.

A British Home Office minister, Mr Tom Sackville. ioined the attack, accusing Ankara of leaking sensitive intelligence to smugglers. There have been incidents where information definitely got back to drug dealers," he said. "If we are going to share information and work together we have to absolutely trust those people we are dealing with."

Western capitals also worry that Turkey may be a money laundering centre. Parliament outlawed money laundering last year, but the government has not begun enforcing this.

The government bas lashed out at foreign critisaid Germany had provided no evidence showing Mrs Çiller knew heroin smugglers. It said: "The airing of such generalised accusations against our country is unacceptable": it added that western governments were making the accusations to block Turkey's aim of joining the European Union.

Mr Tuncay Yilmaz, narcotics police chief, is upset that London has stopped pooling intelligence. He says seizures are mounting every year, proof of the effectiveness of his overworked and underpaid staff.

However, increasing seizures also indicate a big rise in drug running. Heroin seizures in Turkey have dou-

EU tax rivalry

CORRECTION

In the graph on Page 2 of the FT on January 31, showing the trends in implicit EU tax rates, the labels were transposed. The graph should have shown the tax on employed labour rising, and the tax on production fall-

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cto The Financial Times Limited. Number One Southwark Bridge. London SEt 9HL bled in three years to more than 4.000kg. European militia.

police say Turks supply 80 per cent of Europe's heroin. For years foreign governments and local political commentators have worried that traffickers are using their huge profits to buy protection from corrupt officials. Concern gave way to alarm in November when Mr Mehmet Agar, the powerful interior minister, resigned after it emerged he knew Mr Abdullah Catli, a wanted heroin smuggler. The relationship came to

light after Mr Catli, his girlfriend and a senior policeman were killed when the car they were travelling in together crashed. Mr Sedat Bucak, a Kurdish MP from Mrs Ciller's centre-right True Path party, escaped with minor injuries.

The normally pliable media have pursued the story ever since, while courts and government investigators drag their feet. Newspapers found Mr Catli, using an alias, had a gun permit signed by the interior minister himself and an offi-cial passport. cial passport

nvestigative journalists alleged that officials Catli with ultra-right politi- respect. They are honourcal sympathies as assassins to eliminate "state enemies". convicted of any crime."

The media also reported Kurdish militia. Mr Bucak is every day."

the leader of the largest such

Mr Ozgen Acar, an editor on the opposition newspaper Cumhuriyet, says a "state within a state" has emerged in the Kurdish south-east which straddles drug routes from Iran, comprising gangsters, paramilitary commanders and militia chiefs with links to senior officials in Ankara. Western analysts note that trafficking is increasing and processing laboratories are springing up, in spite of the heavy presence of security forces.

A rushed government investigation into ties between officials and organised crime said 35 people should be investigated, including several members of parliament. But lifting their immunity from prosecution will be difficult. The politically powerful army has rejected demands that it be investigated.

Three parliamentary

investigation committees have cleared Mrs Ciller of corruption charges. Mrs Çiller remains unrepentant about her True Path party's links with Mr Catil. She said: "Those who stand in the firing line for the sake of the people and the state are hired gangsters like Mr always remembered with able. Abdullah Çatli was not

Observers fear drug money will continue corrodbecome entwined with the ing the state. Mr Acar says: war against the separatist "I do not think [politicians] Kurdistan Workers party smuggle heroin or launder (PKK). The government has money directly. They turn a always said the PKK is blind eye. Most [public involved in trafficking. Now, employees] are honest but reporters are finding links with inflation and low wages between smugglers, security I wonder how they can conforces and pro-government tinue rejecting corruption tion conducted under new

Dublin has beer price rise swiftly reversed

Trouble brews in Ireland

By John Murray Brown in Dublin

Ireland's publicans bave been forced to retract a 5p (8 US cents) increase on the cost of a pint of beer after the government angrily threatened to impose price controls. Mr John Bruton, prime minister, was described as "apoplectic" at

the price rise. His consumer affairs minister, Mr Pat Rabbitte, warned it was something "up with which the government would not put". The government is partic-

ularly incensed because it made a point of not putting up excise tax on beer in last month's budget, the last full one before the general election to be held by November. Beer prices are an emotive topic in many countries but particularly in Ireland, the world's third largest per cap-

ita consumer. Only Germans and Czechs drink more beer: Mr Bruton raised the issue

at parliamentary question time, accusing publicans of creating a price cartel, before slipping out to a city centre public house to test the facts for himself.

After a public berating by the government, the ed Vintners Association, which represents 600 reverse the price rise.

In a bad week for the pub-Authority then announced a market, the first investigapowers agreed by parliament



John Bruton examines Irish beer prices last week

last year. The prime minis-Bruton, the enterprise and employment minister called for the investigation to be from the "malting house to

the public house". In Dublin bars, beer was selling this week at between 1£2 (\$3.21) and 1£2.30 - and such as the Horseshoe in the

Mr John Fingleton, a lecpubs in Dublin, agreed to turer on competition policy at Trinity College Dublin. estimates the price of stout licans, the Irish Competition has risen by 16 per cent in real terms since 1986, while full probe into the drinks in the off-licence market prices have fallen by 13 per

40p a pint.

The Competition Authorter's brother, Mr Richard ity is expected to recommend changes to the 1908 licensing act, which currently allows publicans to restrict new entrants, with the effect that the number of licences has not increased in over 80 years.

"The economics are very up to I£2.50 in hotel bars clear. We need to liberalise the licensing system. But we all know there are lot of publicans in the Dail," says

were nonetheless evident in one Cork city street, where Bradleys, one of 13 pubs on Barrack street, was yestercent - a gap equivalent to day selling Guinness at

Healthcare put back on Romania's agenda

Virginia Marsh on a new government pledge

regime of Nicolae Ceausescu ia's medical services. Film of neglected. Aids-infected babies and starving orphans unleashed a wave of internaitarian aid. Seven years later, the situ-

ress has been slow. Failure to move ahead with reforms, along with years of post-communist increase of about 10 per cent

ation has improved but prog-

in crude mortality rates between 1990 and 1995. Tuberculosis and meningitis are on the rise, and infant and maternal mortality rates

Europe. Hospitals are often dirty and cold, short of food and medicine, and without working plumbing. Now, however, there appears to be a chance for improvement. The new cen-

tre-right government has pledged to make healthcare a top priority. The health ministry aims in this week's budget negotiations within the government and with the International Monetary Fund to secure an increase in health spending equivaient to about 4 per cent of gross domestic product, up from around 3 per cent.

Even this is low by international standards. According to the World Health

overthrow of the repressive of GDP a year on the sector. while the western European exposed the state of Roman-average is about 8 per cent.

Central to the government's plans is adoption of a national bealth insurance scheme, like those in most tional sympathy and human- other countries in the region. This would establish a semi-independent body, funded directly from payroll taxes, to administer most healthcare. "Health could be kept out

of the annual competition for budget funding if it had its own system of financing." says Ms Eugenia Erhan, a director at the health ministry. She also believes that a semi-independent body, run almost like a private organiremain among the highest in sation, would prove more effective than the state in controlling costs and clamping down on bribe-taking.

> law creating a health A insurance scheme was drafted under the former government but. like many of its proposals, it failed to clear parliament. Not that health was ever a priority. The health minister for almost all of its four years in office was Mr Julian Mincu, formerly Ceaușescu's personal doctor and the author of a notorious low calorie dlet used to justify the dictator's export of huge quantities of food in the

Most in the medical profes-

elevision viewers all communist central and east- insurance scheme. Among over the world were ern Europe countries spend, other things, they regard it horrified when the on average, nearly 6 per cent as a way to decentralise healthcare and assure a stable framework for the sector.

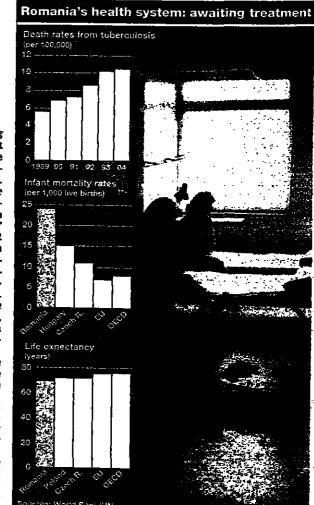
"There are three laws we need urgently - the insurance scheme, another to establish a national doctors' association, an independent professional body, and a third on the status of hospitals," says Professor Alexandru Serbanescu, head of Bucharest's N.G. Lupu hospital. Although his hospital is one of the country's largest, treating 50,000 patients a year, it has an annual budget of less than \$2.5m.

Some, however, believe that, for the time being, the insurance scheme would be too expensive for Romania. "People have only looked

at the positive elements doctors favour it partly because they think their wages will go up," says Proiessor Dan Enachescu of the public health department at the Carol Davila medical university in Bucharest, "As well as the expense of implementing such a system. there are large recurrent costs in running it."

He fears that levying healthcare contributions on top of already high taxes will encourage even greater fiscal evasion. The insurance system would have more chance of working once the economy stabilises and after some restructuring of the

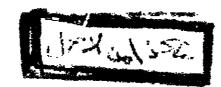
One successful primary Organisation, the former sion support the planned care reform for example - a



pilot project introducing competition among doctors and a mixed payment system based on numbers of registered patients and on services performed - could be extended to other parts of the country.

in addition, the project, gramme, has refurbished dis-

doctors and also aims to improve emergency services. Mr Richard Florescu, project officer at the World Bank in Bucharest, gives a graphic illustration of the scale of the latter problem. Accident victims often have to wait hours for an ambulance, he carried out in eight districts notes, and even when they as part of a World Bank pro- arrive they are so poorly equipped that almost half pensaries in rural areas the patients are dead on where there is a shortage of arrival at hospital.



82-year ban on Mexican avocados

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THE PERSON THAT IS NOT THE

By Christopher Parkes in Los Angeles and Daniel Dombey in Mexico City

The US is to end an 82-year ban on imports of Mexican avocados, in the teeth of continuing resistance from Californian growers who will lose their virtual monopoly in the domestic market for guacamole, of which avocado is one of the

main ingredients. Although imports will initially be restricted to 19 states in the Midwest and north-east, and shipments will be allowed only in winter, the decision drives a substantial wedge between free-trade supporters and the protectionist tendency in the US farm lobby.

The decision had been expected last year, but was put off because it offered what one analyst called a "bio-political" hazard to President Bill Clipton's reelection campaign.

While the move will bring higher prices to the poor western state of Michoacán source of much of Mexico's 800,000-tonne annual crop, it will eventually lower revenues to the 6,000 Californian farmers who currently supply more than 90 per cent of US consumption.

US avocados are more than three times as expensive as Mexican-grown fruit imported freely into Canada. The end of the embargo,

originally imposed to protect US orchards from seed weevil and later confirmed as a protection against fruit fly infestation, was greeted in Mexico as an affirmation of the spirit of the North American Free Trade Agree-

Californian growers, who are expected to lodge a protest today, last week accused the federal Agriculture Department of ignoring new pest evidence supporttheir call to keep the

'Ignoring scientific data...makes a political nawn out of a \$1bn industry. We have been consumed by the wake created by the Affleck, chief executive of the California Avocado Com-

This lobbying organisation last year spent about \$300,000 on advertising its

resistance. The two-year tussle between farmers and the Washington bureaucracy was reminiscent of the series of farm trade "wars" in the European Union, the world's most established

free trading bloc. Motives ranging from gennine health concerns to bare-faced protectionism have spurred conflict over commodities such as Spanish cauliflowers, British lamb, German beer, and beef from cows suffering from mad cow disease, or bovine spongiform encephalopathy (BSE).

In the Nafta avocado case, Mexico resorted to the welltried technique of dividing the US farming lobby as it pushed for change in Wash-

ineton. Pressure in the form of threatened bans on imports of US grains and other prodncis not grown in California cost the US avocado lobby the support of colleagues across the country.

The national American Farm Bureau Federation, for ample, said at the weekend it did not support the new policy, but recognised it was "very important to our international trading posi-

According to some estimates, the end of the embargo will drive down avocado prices in the US by about 15 per cent over the next 10 years. Mr Francisco Labastida, Mexico's agriculture secretary, claimed such effects would be mitigated by increased consumption.

"At the moment, avocado consumption in the US is relatively low because not enough of the product is available," he said. Opening markets "automatically" led to increased consumption,

he claimed. Most US avocado eating is confined to the west and southern areas, close to and including California, where the popularity of guacamole dips and soups testifies to the growing Latino

population. However, a small Hass avocado typically costs \$1 more than in western Europe – while the price of larger varieties can rise to tion technology, Page 19

NEWS: WORLD TRADE

US to end | China and US in textiles accord

By Tony Walker in Beijing

China and the US yesterday agreed to extend a 1994 agreement on access to tex-tile markets, averting a threatened trade row.

But the US said that \$19m (£11.8m) in penalties imposed on imports of Chioese textiles last September would remain in place. The US had accused Chinese enterprises of trans-shipping through third countries to avoid quota restrictions.

Ms Rita Hayes, the chief US textiles negotiator, said the "tough" six-days of negotiations resulted in an agreement which would improve

US exporters' access to ing from 1994 was due to would also be increased

China. Quotas on Chinese expire on December 31 last improve access for US prodexports of textiles to the US year, but the US agreed to a ucts such as yarns, bedunder the four-year agree- allow time for further negoti-

The US had accused China of trans-shipping through third countries to avoid quota curbs

But she was unable to provide details because the agreement had not yet been made public. This would await an exchange of diplo-

In September, the US cut 13 categories of Chinese textile and garment quotas following customs investigations which showed widespread violations. China The textile agreement datthreatened retaliation.

China's undertaking to one-month extension to spreads and curtain material and also to curb attempts to abuse quota restrictions paved the way for an agree-

> The US has long complained about a severe imbalance in textiles trade with China. In 1995, China exported \$6.6bm worth of textiles to the US and imported just \$64m of US products. The gap was about the same last vear.

> Ms Haves described the agreement as an historic event because it was achieved without a threat

showed the two countries would solve their difference without resort to sanctions.

against the background of improving Sino-US ties, which hit a low early last year during the fracas over Chinese attempts to influence presidential elections in

volume of textile sales to China on tariff and non-tariff barriers. Ms Hayes said that she made progress towards achieving a "level playing field" by persuading China to cut its tariffs and

The textiles deal came

US officials blame the low

reduce non-tariff barriers. Mr Li Dongsheng, China's chief textiles negotiator, said and economic co-operation." the new agreement demonstrated that China and the

US "share interests in advancing bilateral trade He described the talks as

Poland tightens up on Daewoo under EU pressure

By Christopher Bobinski

Poland has howed to intense pressure from the European Union and agreed to tighten tariffs on car imports by Daewoo, the South Korean industrial congiomerate, which is committed to a \$1.4bn investment in Poland's car manufacturing.

Brussels had warned Poland that tariff incentives being extended to Daewoo would hinder Warsaw's negotiations with the

EU on Polish membership. The lary, which is building a DM500m negotiations are expected to start

The Polish decision, which follows a 12-month campaign by Brussels, will come as a relief to Fist, another big investor in Polish industry.

The Italian carmaker is fighting to retain market share for sales of its locally assembled imported Punto and Bravo models - against competition from Daewoo's Nexia and Espero cars. General Motors' Opel subsid-

(\$304m) car plant in Poland, is also concerned to stop Daewoo building a strong position there before it is ready to come on stream with its new locally produced saloon model in 1998.

Polish negotiators last week informed their counterparts in Brussels that Daewoo would no longer be permitted to import cars through a cursory assembly operation which, in effect, enabled it to bring its vehicles into Poland tariff-free.

Under present Polish rules, and Espero models. imports of cars carry a 25 per cent tariff unless they are delivered in parts and assembled locally. In addition, EU producers can bring 38,750 cars into Poland this year without paying customs

Daewoo in 1995 took over Warsaw's overmanned FSO plant, which produces the outdated Polonez saloon car. As part of the investment package. Daewoo got Polish government agreement for tariff-free imports of its Nexia exemption, has been enraged by

The Nexia and Espero went on sale last year as a stop-gap measure before Daewoo begins local production of its new Lanos

model at the beginning of next Daewoo is committed to invest-

ing \$1.1bn at FSO by 2001 and a the Poles of their decision and further \$340m in a delivery van plant in Lublin.

Fiat, which like Opel and Ford assembles its cars from around

Daewoo's operation, which sees complete models brought by sea up the Adriatic to Slovenia. There they are dismantled into around 10 parts and brought by rail to Warsaw. The car is then screwed together once more at FSO.

will now have to bring cars into Poland in more pieces at a greater cost

Last year car sales in Poland 1,000 parts to claim the tariff grew by a record 41 per cent to

IT talks inch towards 'critical mass

By Frances Williams in Geneva

Trade negotiators seeking to nail down final details of a deal to cut tariffs on information technology (ff) goods to zero by the year 2000 have failed to secure firm participation of enough countries to reach the 90 per cent trade coverage stipulated for the accord to come into force.

The participants must decide by Anril 1 whether to bring the Information Technology Agreement (ITA) into the threshold is reached.

In talks which ended late last Friday at the World Trade Organisation in Geneva, only New Zealand pledged to join the ITA in addition to the 28 participants that signed up to the pact last December at the WTO ministerial meeting in

Singapore. Costa Rica is also expected to join, after it was given dispensation to extend the transition for tariff cuts beyond 2000 on some products. But New Zealand and Costa Rica add a minuscule 0.2 percentage points to the 83.4 per cent trade coverage already reached.

Negotiators have still not lost hope that Malaysia, Thailand, India and the Czech Republic, all of which took part in the talks in Geneva, may be persuaded to sign on later, taking coverage beyond the threshold. Trade officials said talks on additional product coverage would restart in October.

In separate WTO negotia tions, Malaysia announced last week it would submit a telecoms liberalisation offer, a move seen as enhancing the chances of a successful outcome by the deadline of February 15.

Though trade diplomats do not expect the offer to be very ambitious, it marks an important step towards the achievement of the "critical mass" of quality offers being sought by the US.

Washington refused to join a WTO telecoms accord last April, blaming the lack of good offers from east Asia in particular. Malaysia and Indonesia, which tabled its offer last week, made no market-opening commitments in the earlier talks.

Mr Neil McMillan, the British chairman of the WTO talks, said on Friday that 54 governments had now submitted offers in the talks. Bulgaria, El Salvador, Indonesia, Romania and South Africa all tabled liberalisation proposals last week, and six plan to do so this week - Malaysia, Bangladesh, Egypt, Ghana, Jamaica and Barbados.

Australia, the Czech Republic, Mexico, Poland and Singapore put in revised offers last week and others should follow this week from Japan, Israel, New Zealand, Peru, Pakistan, Thailand, South Korea and India. Europe 'lagging' in informaRIGOR Aficio has arrived **表面** THE REST OF SECTION ASSESSMENT Ricoh announces the birth of Aficio.

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32

Supporters of Imran Khan, head of the Justice Movement party, cheer at a weekend rally AP

Pakistanis expect low poll turnout

Farhan Bokhari in Islamabad

Cold, damp weather, a lacklustre election cam- ted from periods of martial paign, the Moslem fasting law. Fifty five per cent said month of Ramadan and a they doubted politicians general disenchantment with politicians may today conspire to produce a record low turnout in Pakistan's elections, the nation's fourth of General Zia ul-Haq's milisince the end of military rule

Pundits and politicians expect at best 30 to 35 per cent of Pakistan's 56m voters to cast their ballot in polls for the 217-seat parliament, and perhaps as few as 20 per cent. Turnout has exceeded 40 per cent in the three earlier polls.

But casting his eye to yesterday's rainy Rawalpindi sky, Mr Shabbir Kazmi, a moneychanger, remarked: "Even nature is against these elections. Why bother? We're just going to get the same crooks and turncoats back in office.'

That such cynicism is widespread was amply illus- by a rival PPP faction, with trated by a poll in this month's Herald magazine. It found 95 per cent of respondents agreeing that most pol- Karachi. iticians are corrupt. 66 per

cent saying they would prefer a presidential system of government, and 43 per cent saying Pakistan had benefitwould ever be held accountable for corruption in office.

Each of the three governments elected since the end tary regime has been prematurely dissolved on corruption or mismanagement charges by successive Pakistani presidents. But so far no specific charges have stuck against Ms Benazir Bhutto, the Pakistan People's party (PPP) leader ousted in 1990 and again last November, or Mr Nawaz Sherif, the Muslim League (PML) leader deposed in 1993

and favourite to return as prime minister this week. Sketchy, but consistent, opinion polls put the Muslim League 10-20 per cent ahead of the PPP, whose vote in its traditional Sindh province heartland is likely to be split the ethnic Mohajir Quami Movement also expected to sweep the provincial capital,

PML leaders are thus

which they hope to combine with 18 seats reserved for tribal and minority voters and some independents to form the next government.

Ms Bhutto has repeatedly claimed she will lose only if the vote is "rigged", and her party has listed 65 constituencies in which it claims results will be "engineered or manipulated". The claim was flatly dismissed by Mr Sardar Fakhre Alam, chief election commissioner. "We have inquired into it, and

there is nothing," he said. Today's poll will be scrutinised by observers from the EU, the US, south Asia and the Commonwealth, and be policed by at least 250,000 security personnel.

Meanwhile, the Karachi stock market offered some rare pre-election cheer, rising almost 4 per cent to yesterday's close at 1.597.26, anticipating a Muslim League victory. The PML is widely seen as more reformist and pro-business than the PPP, which presided over a soaring fiscal deficit and an increasingly precarious foreign exchange position before its dissolution on November 5.

Italy reassures Algiers over role in conflict

and has no intention of though without interfering, mediating in the five-year to overcome the current cri-Algerian conflict, according sis." He denied that he had to Italian officials.

Mr Piero Fassino, a foreign mediation. ministry undersecretary, last that Italy would propose a peace initiative on Algeria. The comments caused a stir in both Rome and Algiers.

Mr Lamberto Dini, the Italian foreign minister, said local terrorists. Italy was interested in conthe crisis but had no intenconflict but "without interference".

proposed Italian or European

The Algerian government week was quoted in the rejects outside efforts to newspaper l'Unità as saying bring an end to its struggle with Islamic militants and says European countries should help by dismantling Islamist networks in Europe which provide assistance to

The Algerian foreign mintributing to a resolution of istry last week summoned the Italian ambassador in tion of mediating. Mr Fas- Algiers for an explanation of sino on Friday also issued a Mr Fassino's comments. Mr statement saying the EU Ahmed Attal, foreign minisshould help end the Algerian ter, said he had been reassured that Italy's aim was not to interfere but to assist He said: "The interna- in isolating "terrorism".

tional community, and first The controversy testifies

you can...

attend election rallies.

meet Nawaz Sharif,

Khan and Altaf

Benazir Bhutto, Imran

Hussain, watch the ups and downs of the Stock

Market, enjoy the

columns of Pakistan's

leading opinion mak-

ers, thrill to investigative scoops that expose

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Election

of all the European Union, to the west's dilemma. The must emerge from a condi-resurgence of violence in ance. "We want donor sup-Italy will not interfere in tion of passivity and lack of Algeria over the last three port to be replaced by pri-Algeria's domestic affairs interest and help Algeria, months has prompted vate investment," he said. Europe to break silence in a war that has already claimed more than 50,000 lives. But Europe's commercial interto steer clear of alienating Algiers complicate outside attempts to play a role in ending the conflict. European countries have thus found it convenient to leave the Algerian conflict to France, the former colonial power, which has so far sup-

> ported the Algerian govern-• More than 30 people were killed at the weekend in the town of Medea south of Algiers, according to El Watan, an Algerian newspaper. El Watan said Islamic terrorists had carried out the massacre.

Editorial comment, Page 19

ests in Algeria and the need

proceeding at a gentle nerve held, and the Fed stayed its hand.

capter of stable expan-The critical factor was sion or is it about to break out into an inflationary galpuzzling economists over the weekend following last week's release of figures for the final three months of 1996 that revealed a much stronger pace of growth than of the economy's sails.

they had expected. The figures, showing the economy grew at an annual rate of 4.7 per cent in the final quarter, fuelled concerns that the economy might be overheating, just as the Federal Reserve holds the first meeting of the year tomorrow of its policy-setting federal open market committee. Though favourable inflation figures suggest the Fed is still likely to keep interest rates on hold, stronger growth clouds the medi-um-term outlook for mone-The critical question for tary policy.

Concerns about a growth surge are nothing new. Similar fears surfaced last summer when it emerged the economy grew at an identical 4.7 per cent rate in the second quarter. The Fed was widely expected to raise interest rates to cool it last

s the US economy still chairman Alan Greenspan's

that the central bank's own economists were forecasting a slowdown in the second half of the year to a rate of about 2 per cent. Mr Green-span believed this would be enough to take the wind out

The Fed's judgment proved only partially correct. Between July and October the economy did indeed slow appreciably to a growth rate of just 2 per cent. But the reignition of growth in the fourth quarter took the overall rate in the second half of the year to 3 per cent. That meant between March and December last year the economy expanded at an annual rate of over 3.5 per cent. well above the long-term non-inflationary growth rate.

policymakers now is: will the pace continue or will the fourth quarter prove to have been a temporary spurt in activity? The two main factors

behind the strong fourth quarter figures were a jump in exports and strengthening autumn, but central bank personal consumption.

drop in inflation from 35 per

cent in 1996 to 15 per cent

Analysts said the targets

would win approval from

foreign donors, to whom Mr

co-operation "in a spirit of

The prospect of Zambia

qualifying for ESAP3 - the

Economic and Social Adjust-

ment Credit scheme recently

introduced by the World

Bank - offered Zambia "a

unique opportunity to exit

from the debt trap that has

suffocated our economy for

the past two decades," he

The World Bank is sched-

uled to provide Zambia with

\$123m of balance of pay-

with a further \$45m tranche

mittal about restoring aid.

The budget, presented to

parliament on Friday, is the

first to assume a current

account surplus since Presi-

dent Frederick Chiluba's rul-

ing Movement for Multiparty

Democracy took office in

1991. Higher provisions for

capital expenditure and con-

tingency funds offered some

scope for adjustments in the

event of a shortfall in exter-

Mr Penza expected hilat-

eral contributions of about

\$39m this year. But analysts

said this figure did not dis-

criminate between funding

for development projects,

which bilateral donors were

nal aid.

fying for ESAP3.

Penza appealed for renewed

this year.

mutual respect".

Exports grew at an annual rate of 25.5 per cent, a pace that certainly appears unsustainable. The figures may have been distorted by special factors such as an especially large number of aircraft orders.

But more importantly, the currency markets may hamper export growth of any scale for the current year. The trade-weighted value of the dollar has risen by over 10 per cent in a year, and that seems certain to reduce demand for US exports. The second big contributor

to fourth quarter growth may prove more durable. Personal consumption increased at a 3.4 per cent annual rate, having been stagnant throughout most of 1996. Some economists argue that too was just a blip. Consumers, they say, are generally becoming more cautious, having accumulated record household debt in the

But this weakness in personal financial halance sheets seems more likely to

continue. In fact the overall prognosis for consumer demand looks strong. Unemployment remains low, and wage growth has begun to pick up speed.

Fed faces dilemma on US growth

Alan Greenspan: Fed's ent partially correct

Fears about "downsizing" and its effects on job security are slowly beginning to fade. Perhaps most important, the booming stock market is supplying consumers with a comfortable cushion of increased personal wealth from which to spend.

"Consumers" confidence has climbed to new decade highs, and they are well positioned to boost outlays in 1997," says Mr Richard Berner, chief economist at Mellon Bank, a commercial bank in Philadelphia.

No one believes the economy will continue to grow at the kind of pace seen in the fourth quarter, but strong

consumer demand and continuing growth in investment could push the rate of

expansion above 3 per cent. Yet even if growth proves that strong is it inevitable that interest rates will rise? There is much talk in the US these days of a new paradigm, a fundamental shift in the economy's performance that can sustain faster growth and low unemployment without stoking inflation. Last week's figures appeared to back this up.

While they showed a surge in economic activity at the end of 1996, they actually recorded a further decline in the main measure of inflation. The overall GDP deflator fell from 2 per cent in the third quarter to 1.8 per cent in the fourth.

But that may be misleading. Much of the fall in prices was the result of lower export prices, which are not significant for domestic inflation. The deflator for domestic purchases. by contrast, rose from 1.9 per cent to 2.5 per cent, an early indication perhaps that the brave new world of rising demand and falling prices may be nearing its end.

Gerard Baker

Zambia strives to cut reliance on donor aid

By Mark Ashurst in Lusaka

Zambia has announced a 1997 budget intended to reduce the country's dependence on donor aid and accelerate the privatisation of ZCCM, the state-controlled copper producer.

But in the aftermath of disputes with bilateral donors, Mr Ronald Penza, finance minister, broadened the revenue base by restoring a 5 per cent duty on imported goods.

Bilateral donors - led by the UK, US, Sweden, Germany and Japan - have either suspended aid or threatened to do so to protest against a constitutional amendment that barred the former president, Mr Kenneth Kaunda, from contesting a general election last

In a weekend briefing, Mr Penza said the budget was intended to promote self-reli-

The long-awaited privatisation of ZCCM, the state insurance service, and Zamtel, the telephone company, would help restore waning capital inflows. A first step in the new

direction was reduction in value-added tax from 20 per cent to 17.5 per cent, bringing it in line with Zambia's sub-Saharan neighbours. A second was the transfer of responsibility for the fis-

cal aspects of the Mines and Minerals Act to the Ministry of Finance, which is expected to introduce a simpler tax structure for the indus-

Mr Penza predicted gross domestic product growth of reluctant to abandon, and 5.5 per cent in 1997, com- further balance of payments pared with 6.4 per cent last support, which remained in vear. He forecast a sharp doubt.

takes on rights

The Beijing-appointed Preparatory Committee charged with overseeing China's resumption of sovereignty over Hong Kong on July 1 has voted in favour of watering down civil liberties in the territory, writes Louise Lucas in Hong Kong. Results of a weekend meeting, which also legitimised activities of the controversial provisional legislature, are set to worsen relations with the colonial

ten, governor, said the jing had taken decisions which went to the heart of the "one country, two systems" concept on which Hong Kong's future as part of China was based.

ments support this year, subject to the country qualiexactly as free as today's, or However, while the loyalty will it be less free? Will the of multilateral donors has rule of law, on which all been secured by an ambifreedoms ultimately depend, tious programme of struc-

> no timetable for repealing and amending the relevant laws, the next step is for the National People's Congress, China's rubber-stamp parilament, to ratify the proposal. It is likely the provisional legislature - the interim parliament whose members were selected by a Beijingappointed body – will start to examine ways of replacing the repealed sections of

newly drafted versions can

HK body hard line

government. Mr Chris Patclosed-door meeting in Bei-

"Will tomorrow's Hong Kong, as promised, be

remain supreme? While Beijing has given tural adjustment, bilateral donors have been non-com-

the laws shortly, so that the

come into effect on July 1. Mr Tung Chee-hwa, Hong Kong's post-colonial leader, supported the Preparatory Committee proposals to toughen regulations governing public demonstrations and limit the scope of the Bill of Rights but promised wide consultation on replacement legislation.

INTERNATIONAL NEWS DIGEST

Warning over Peru hostages

The leader of Marxist rebels holding 72 people captive in the Japanese ambassador's home in Peru yesterday warned that any use of force by Peruvian security forces would end in tragedy for the hostages. Mr Nestor Cerpa Cartolino Tupac, Amaru Revolutionary Movement (MRTA) leader, told two Spanish newspapers that he and his followers were ready to die if Peru resorted to military force to end the stand-off.

His hardline stance contradicted weekend reports by Peruvian President Alberto Fujimori who said the Marxist rebels had "implicitly" agreed to drop their key demand and not seek the release of their jailed comrades.

"We know [an assault by the Peruvian army] will be tragic for the gentlemen held captive here. We are sorry for them and for their families," Mr Cerpa was quoted as saving.

Mr Fujimori also said the rebels, who have been holding the hostages in the Japanese ambassador's residence for six weeks, agreed to work toward a solution "according to Peruvian law" Agencies. Lima

Palestinian torture claim

A human rights group has accused Palestinian security forces of torturing to death a detainee in the Palestinian-ruled West Bank city of Nablus.

The Palestinian Society for the Protection of Human Rights and the Environment said Mr Yussef Ismail al-Baba, a 32-year-old Palestinian, died in a local hospital on Saturday. The organisation said the man was arrested in January on suspicion of carrying out "an improper. property sale". Witnesses claimed he "underwent severe torture under interrogation and sustained serious injuries". According to the organisation, Mr al-Baba was the ninth person tortured to death since the Palestinian Authority began assuming control of parts of the West Bank and Gaza Strip in 1994.

Palestinian officials said they are investigating the cause of Mr al-Baba's death. Human rights groups claim torture is pervasive in Palestinian prisons, and have said the Palestinian National Authority has not publicised results of previous investigations into deaths of prisoners Avi Machlis, Jerusalen

Mexico murder plot thickens

Mexico's highest profile murder case has been thrown into confusion by an official admission that a set of bone once thought to be crucial evidence, had been planted. The murder case against Mr Raul Salinas, brother of former President Carlos Salinas, suffered its biggest setback to date when eight people were last week charged with planting the bones on Mr Salinas' ranch. Chief among the eight are Ms Francisca Zetina, a professional psychic who led police to the remains, and Ms Maria Bernal, Mr Salinas' former lover.

Mexico's former attorney general, Mr Antonio Lozano Gracia, had previously indicated that the bones were those of a close collaborator of Mr Salinas, with whom Mr Salinas was alleged to have plotted the murder of a political rival. Mr Lozano was dismissed in December partly because of problems with the Salinas case, and the bones were revealed not to be authentic last month.

Prosecutors now say that three of the officials who had worked on the murder case are also under house arrest. The former special prosecutor for the case has been summoned for questioning, but his whereabouts are unknown. Mr Salinas himself is also charged with illegal enrichment, after having mexplicably built up a fortune of more than \$120m. Daniel Dombey, Mexico City

\$142m TB loan for India

The World Bank has approved a \$142m loan to India to fight tuberculosis, the largest sum provided by an international organisation to combat the life-threatening lung disease. The loan will help treat 3m TB patients over five years and will cure 1.5m, the World Bank said. The credit will be extended by the International Development Authority, the World Bank arm which lends at highly subsidised interest rates to poor countries.

Tuberculosis claims nearly 3m lives worldwide each year, one-fifth of them in India. Earlier this month, 118m Indian children were immunised against polio in what was the world's largest single-day vaccination Lisa Vaughan, New Delh

Australia's Labor wins poll

Australia's federal Labor party, the country's main opposition party, has won its first by-election since losing power to the Liberal-National coalition in last year's general election. Labor held the Canberra-based seat of Fraser comfortably in Saturday's poll. Mr Kim Beazley, opposition leader, claimed the 8 per cent swing to Labor on a two-party preferred basis was a "evry good outcome". Camberra, the nation's capital, has been one of the areas most severely affected by the recent federal government expenditure cuts.

However, the government also hailed the result, pointing out that on a primary vote basis (before allocation of preferences) there was a 1.26 per cent swing away from Labor. The Liberal party did not contest the seat directly, although a Liberal-turned-independent candidate did stand.

World pharmacy drug purchases January-November 1996 (\$m)*

Japan Germany Prence Staly 773

US surge lifts world drug sales

A surge in the US pharmaceuticals market lifted US drug sales to \$54.1bn for the first 11 months of 1996, an increase of 11 per cent compared with the same period a year earlier. US growth helped drug sales in the world's top 10 markets reach \$130.1bn for the period, up 7 per cent on the first 11 months of 1995, according to

figures from IMS International, the

specialist pharmaceuticals market

research organisation, published Japan provided the main drag on world growth. Sales were held back by nandatory government price cuts in early 1996 in the world's second big-gest market. Sales there grew 2 per cent to \$21.1bn, excluding exchange

ally striven to keep drugs prices lows. Sales grew 2 per cent to \$13.6bn. The UK has higher drug prices than France and new drugs tend to be launched sooner. But the UK has much lower consumption per head, so rapid 10 per cent sales growth took the total to only \$6.2bn.

Italy also grew quickly, largely because of a recovery after two years of stringent spending control measures. Sales rose 12 per cent to \$8.2bn. Germany, which was in the van-guard of government cost control legislation in the early 1990s, grew 7 per

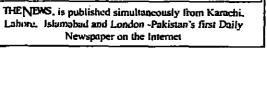
cent to \$15.3bn. By medical area, growth is dominated by nervous system drugs, which include antidepressants such as Prozac, made by Eli Lilly of the US. Sales of nervous system drugs grew 14 per Also growing quickly is the smaller

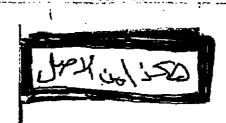
market in blood agents, which include the new class of drugs designed to lower cholesterol levels in the blood. Sales grew 16 per cent to \$7.8bn. Sales of blood agents in the US grew 25 per cent to \$2.8bn, in Germany 23 per cent to \$715m and 53 per cent in the UK to \$167m.

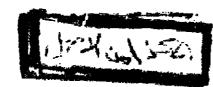
By contrast, heart drug sales are slow as a result of the expiry of patents on some older products. Sales of heart drugs rose only 4 per cent to \$22.6bn but they remain the biggest single category of drugs. Sales of digestive system drugs con-

tinued to accelerate thanks partly to ulcer drug Losec (known as Prilosec in the US) from Sweden's Astra. Losec is rate movements.

Also growing slowly was France, where the government has tradition
Cent to \$18.3bn. Growth was particuseen as the world's best selling drug, and its sales pushed digestive system to \$10.1bn. Similar rates of drug sales up 9 per cent to \$22.3bn.







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MENEWS DIGEST

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What does it take to become a leading global energy company?

In Chinese the word is wisdom. We know because we recently acquired Consolidated Electric Power Asia. A wise business move that's made us the largest independent power producer in Asia. And that's impressive in any language.

SOUTHERN COMPANY

Energy to Serve Your World

Czech Republic and Poland have acknowledged for the first time that they and other east European countries will be unable to join the European Union before 2002. They said their economies would not be ready before then to meet the requirements of EU member-

EU accession) will be 2002 or 2003," Mr Vladimir Dlouhy, bership criteria by 2000." the Czech trade and industry minister, told the World Economic Forum in Davos, Mr

investment, according to a

leading Latin American

Mr Enrique Iglesias, presi-

dent of the Inter-American

Development Bank, told a

seminar at Davos that Latin

America's infrastructure

problems were not unique

but the scale of the task was

huge following the 1980s

debt crisis "when we lost a

third of the investment we

Latin America is expected

to grow at a rate of 4 to 5 per

cent a year and pressures for

closer integration of the

regional economies mean

that over \$1bn a week needs

to be spent on infrastructure

projects – ranging from

water and sewage, to roads,

telecommunications and the

provision of energy supplies.

minister of public works,

said that Latin America had

10 per cent of the world's

population and 16 per cent of

the land, but only 3 per cent

Europe had 2,000 km of

Although Chile has a com-

of the paved roads.

600 in Latin America.

Mr Ricardo Lagos, Chile's

used to have in the 1970s".

WØRLD FORUM

Grzegorz Kolodko, Poland's deputy prime minister, said: we cannot meet all the mem-Mr Kolodko also doubted

tries which have applied to join the EU would succeed. even if they satisfied fully the membership criteria. He said the EU had yet to resolve the question of how many additional members it could absorb.

Both ministers dismissed

leaders. Officials in Brussels have

admitted privately for some tions with east European applicants could be completed by the year 2000, the need to secure parltheir accession agreements in the 15 existing member

until 2002.

by economic factors, not by ing that their countries' political statements by EU applications still faced big practical hurdles, the ministers appeared to be trying to lower expectations of early time that even if negotia- entry among their electorates and prepare them for further painful economic

Mr Dlouhy warned, howiamentary ratification of ever, that the results of that restructuring must quickly be reflected in progress in states would be likely to membership negotiations delay the next enlargement with the EU, which are expected to begin next year. Otherwise, he said,

of a "Eurosceptic" backcountries.

Sir Leon Brittan, EU trade commissioner, said yesterday that too much attention had been paid to the date of enlargement, and not enough to the economic and institutional changes which it would require of the EU

and applicant countries. He said these should be a much higher priority for the EU's intergovernmental con-

Guy de Jonquières

DAVOS NEWS DIGEST

US, Swiss near Nazi gold accord

The US and Switzerland are close to finalising an agreement which will permit a full exchange of official documents covering the seizure and disposal of Nazi gold. The documents involved will also cover the diplomatic background to the 1946 Washington agreement under which Switzerland paid SFr250m and the allies waived all claims against the Swiss government and the Swiss National Bank relating to gold which Switzerland acquired from Germany during the second world war. The agreement, which will take the form of a

memorandum of understanding, was discussed by Mr Stuart Eizenstat, the US administration official dealing with the Nazi gold affair, and Mr Flavio Cotti, the Swiss Foreign minister, in Davos. Mr Eizenstat has been leading an international effort to resolve the dispute over Switzerland's war-time role in dealing with Germany. Switzerland's overseas critics have argued that the

country has been dragging its feet in investigating its past. The Swiss, by contrast, argue that a proper investigation will take time and they should not be rushed into early judgments on very complex issues. Mr Eizenstat's initiative is another sign of the growing co-operation between the US and Switzerland on the complex task of trying to make a sensible judgment about

what happened more than 50 years ago. There is a considerable body of published research from the Swiss side but very little work has been done on the substantial US archives. This will be reflected in the first report by a US inter-agency task force on Nazi gold, due next month.

Mr Eizenstat also said that it appeared that Switzerland had turned away far more Jewish refugees than first thought and had taxed the Swiss Jewish community more heavily than realised. William Hall and Guy de Jonquières

Mideast talks 'productive'

Israeli and Palestinian leaders, at what they called positive and productive talks in Switzerland, yesterday agreed to meet again on Thursday for detailed talks on extending Palestinian self-rule. Israel's prime minister, Mi Benjamin Netanyahu, said the agreement reflected "a great feeling of hope" and he was confident that he and Mr Yassir Arafat, president of the Palestinian Authority, could overcome the obstacles to Middle East peace. Egyptian President Hosni Mubarak said that new peace talks between Israel and Syria were inevitable and could take place at any time.

Mr Mubarak was speaking after his own meeting with Mr Netanyahu, their first for more than six months. Mr Mubarak had refused to meet the Israeli leader until he reached agreement with the Palestinians on the West Bank town of Hebron. Mr Netanyahu and Mr Arafat clinched a Hebron agreement last month.

Mr Mubarak told a news conference that Mr Arafat was pessimistic but after seeing Mr Netanyahu, the Palestinian leader's mood had much improved.

Italy eyes permanent UN seat

United Nations officials attending the Davos meetings this weekend have been regaling friends with the story of an unexpected recent lobbying campaign by Italy. It seems that the Italians, following on the example of the Germans and the Japanese, are demanding a permanent seat at the Security Council. "After all," they are said to be arguing, "we lost the war too."

ECONOMIC

ip. "We are going to join by "Realistically, the date (for 2002, not earlier. We know whether all the 10 central and eastern European coun-

\$70BN A YEAR URGED FOR INFRASTRUCTURE

Latin America 'needs

big investment boost'

cost of transporting a ton of

Moves towards closer eco-

nomic integration would be

"very difficult without ade-

quate investment in infra-

Europe has

2,000 km of

inhabitants,

600 in Latin

America

million

paved road per

compared with

Most of Brazil's exports to

the Far East, for example, go

via the Atlantic and there is

an urgent need for a big

east-west highway so that

Chilean deep water ports on

the Pacific, such as Mejil-

lones, can develop as outlets

for Latin American exports

Chile has been one of the

paved road per million pioneers of using private Latin America "than is avail-

However, Mr Lagos esti-

to the Pacific rim.

times the cost in Canada.

Latin America will have to parative advantage in forest invest up to \$70bn a year on products, transport accounts

upgrading and repairing the for 46 per cent of the total

continent's infrastructure cost and in Chile's case the

make up for years of under- forest products is three

as unrealistic recent assurances by Chancellor Helmut Kohl of Germany and President Jacques Chirac of France that the EU's first east European members would join by the year 2000. The ministers said the timetable would be determined

75 per cent of the traffic.

extremely important but it

was not going to replace

public money in financing

the big highway projects

make economic integration a

Ms Janice Perlman,

founder of the Mega-Cities

Project, a US think tank,

said that one reason for the

under-investment in Latin

America's infrastructure.

was that it had never been

The fact that infrastruc-

ture projects took so long to

build was a big political dis-

incentive since the politi-

cians who voted for a project

were often not in power

when the project was com-

Nevertheless, Mr Bernardo

Quintana, chief executive of

Ingenieros Civiles Asociado,

a large Mexican construction

company, forecast that over

the next 15 years more infra-

structure would be built in

regarded as a "hot topic".

said Mr Lagos.

By accepting that time-

Developing nations 'must open markets'

have increasing difficulty pursuing liberal trade poli-Chile's 80,000 km of highway cies unless the most were suitable for private secadvanced developing econotor funding, and private toll mies in Asia and Latin roads were only viable with America commit themselves a government guarantee of to making their national markets as open as that of Private money was the US.

Mr Stuart Eizenstat, under-secretary of commerce for international trade, said such reciprocity was essenwhich would be needed to tial to persuade the US Congress and public to continue success in Latin America, to back free trade at a time when the US faced "the strongest protectionist pressures since the second world

> Mr Eizenstat said the battle between pro- and antifree trade forces in the US would reach a climax when Congress debated President Bill Clinton's request later this year for a new mandate to negotiate international

He expected debate to go beyond specific trade deals and involve a wide range of sensitive domestic interests. It would become a rallying point for protectionists and the outcome would "say a lot about the future direction the US will take" in international economic policy.

debate would be influenced

by the results of negotiations

inhabitants, compared with finance in infrastructure able now".

The US has warned it will mation technology products and basic telecommunications services.

Unless enough richer developing economies made satisfactory liberalisation offers in the next few weeks, "we simply won't sign these agreements," he said.

He said richer developing countries, such as Korea, Malaysia, Brazil and Chile, had not yet realised that their readiness to liberalise on a reciprocal basis would have an important impact on the Clinton administration's ability to resist protectionist pressures at home.

these countries to open their markets immediately, but wanted them to agree to firm timetables for lowering trade barriers to US levels. Failure to do so would make it harder for Washington to grant trade preferences to the poorest countries.

He said the US was willing to allow China time to open its market but would bar its membership of the World Trade Organisation until Beijing made further liberalisation commitments. These had to include privatisation of state-owned industries, lowering industrial tariffs further and removing quotas Mr Eizenstat said the and foreign investment

restrictions He said China's trade surin the World Trade Organi- plus with the US was a William Hall sation to free trade in infor- source of growing concern,



Washington did not expect

Eizenstat: sought reciprocity

but he did not expect it to threaten annual renewal by Congress of China's Most Favoured Nation trade status this summer.

Mr Eizenstat said President Clinton planned extensive consultations with Congress before submitting a request for new trade negotiating authority.

The administration had not decided whether to ask for a mandate only to negotiate Chile's admission to the North American Free Trade Agreement and the creation of the planned Free Trade Area of the Americas - or whether to seek broader authority covering other pos-

Guy de Jonquières

We helped Zoe beat a brain tumour

Now we need your help to continue the fight for thousands of others.

When Zoe was just 17 months old, her parents received the dreadful news that their little girl had a malignant brain tumour and needed radiotherapy. Zoe won her fight and lived quite happily until she was 12.

Unfortunately that was when the cancer returned. The situation was made even more serious because Zoe had already received the maximum dosage of radiotherapy when treated as a baby. Again, Zoe beat the disease thanks to a pioneering new treatment supported by the Imperial Cancer Research Fund.

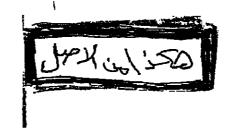
Today the cure rate for childhood cancers is over 50%. Very encouraging when you realise that just 25 years ago, around 90% of children with cancer died.

Yet despite the importance of our

work, we rely almost entirely on voluntary contributions. Right now our doctors and scientists are fighting over 200 forms of cancer. Thousands of children like Zoe are relying on their help. And yours.

Please make a donation today and help thousands more people win the fight against cancer.

Give people with cancer a fighting chance
Over 90p in every £1 donated goes directly into our vital research! would like to make a donation of £ (Cheques payable to: Imperial Cancer Research Fund) or charge £ to my Access/Visa/Amex/Diners/Charity Card No.
Expiry Date/_ Signature
Mr/Mrs/Miss/Ms
Address
Postcode
Please return your donation to: Imperial Cancer Research Fund FREEPOST (WC4066/3), London WC2A 3BR
Imperial Cancer Research Fund



FINANCIAL TIMES MONDAY FEBRUARY 3 1997

MONDAY FEBRUAR

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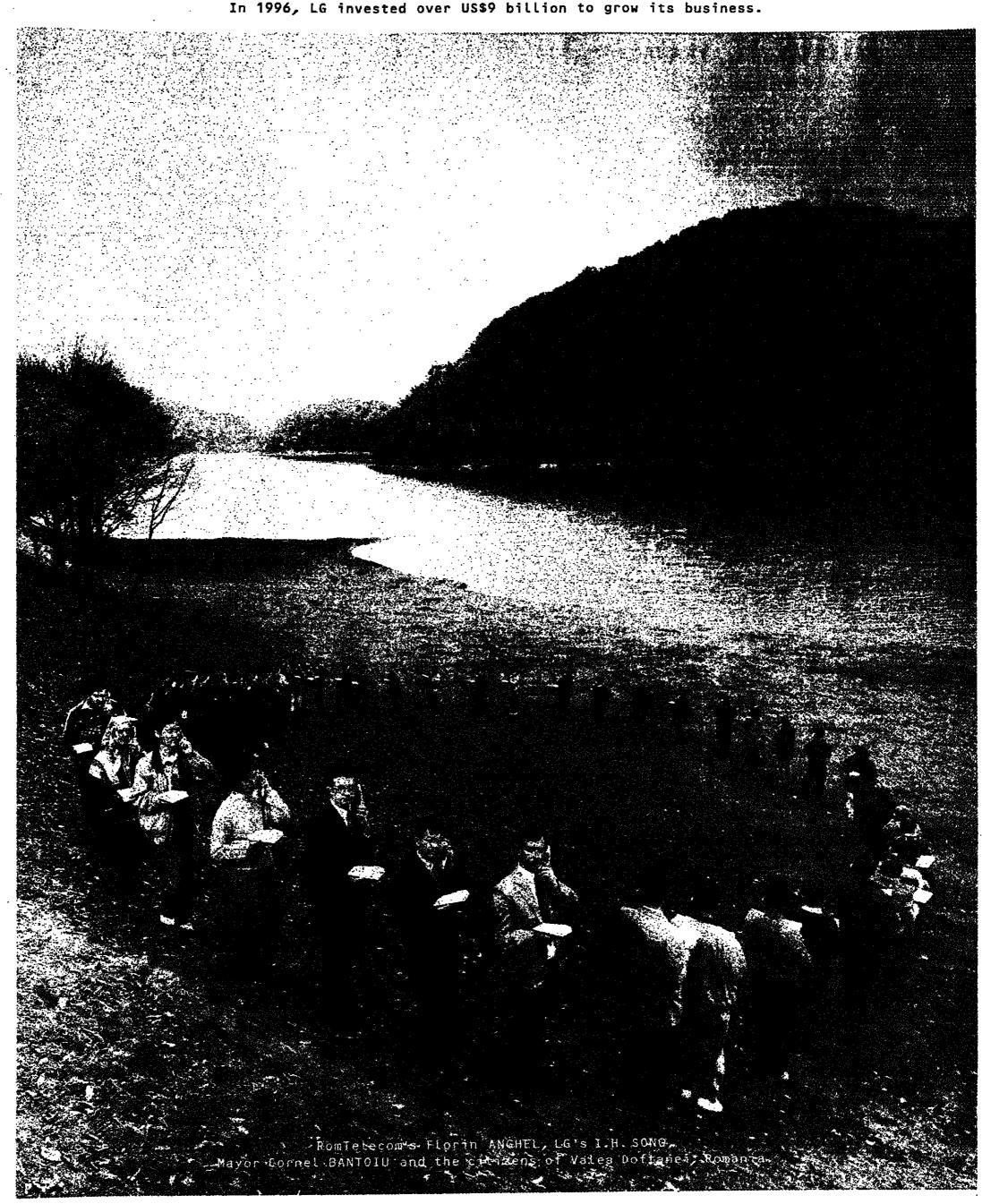
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AS DIGEST





It's nice to meet you.

A miracle is happening in Prahova Province, Romania.

Villagers who once waited years for telephone service are now connected by digital switches and fiber-optic cable to anywhere in the world, part of a US\$75 million project between LG Information & Communications and RomTelecom.

We're active in many other businesses too, like multimedia processors, industrial and information systems, securities underwriting, and genetic engineering.

But nothing gives our 126,000 employees more pleasure than knowing that we help people become connected to a larger world of opportunity. Now, how can we help you?

Senior spokesman says it could be difficult to remain outside after 2002

Labour hints it would join Emu

Political Correspondent

Senior figures from the governing Conservative party last night prepared to turn the European single currency into a key election issue, after Mr Robin Cook. the opposition Labour party's foreign affairs spokesman, gave the strongest sign vet that an incoming Labour government would sign up

Mr Cook, one of the most Eurosceptic members of the shadow cabinet, surprised many of his own colleagues when, speaking during a television interview, he said

and serious calculation to stay out beyond 2002".

Echoing comments made by Toyota, the Japanese vehicle maker, last week, he warned that Britain would lose out on inward investment if it stayed outside the single currency in the long term. "If it goes ahead and if it succeeds - in other words if it is stable - then you cannot stay out," he said.

'In the long run, if we are outside a single currency, people in Tokyo or Dallas making inward investment decisions are more likely to look at the inner core within the currency rather than

crease in genring (%) .

The cost of compliance

those outside," he added. His remarks delighted Conservative strategists. who now believe they can turn the general election, which must take place by May into a battle for the future of sterling. "This will make it easier for us to campaign on Europe as an

issue," said one. The Conservatives are committed to a "wait and see" approach to the single currency, largely due to insistence by Mr Kenneth Clarke, the chief finance minister, that Britain should keep its options open on whether to join the first wave. But Tory election camhappy to sidestep the formal manifesto position, and highlight the fact that the party is unlikely to surrender the pound in practice.

Conservative party managers are now even making a virtue of the fact that up to 150 Tory election candidates are expected to set out their opposition to the Euro, in defiance of official policy. One minister said: "Robin

Cook's comments reinforce what everyone ought to know – a Labour government would take us down the path towards a federal united states of Europe."

supporters of Mr Gordon Brown, the pro-Euro Labour finance spokesman. Mr Cook's caution over the Euro has long been a source of tension at the highest level among the opposition.

Mr Cook also repeated his belief that there was only a "50-50 chance" of a single currency starting in 1999. Striking a more familiar Eurosceptic note, he also suggested a Labour government could use the UK's presidency of the EU in the first half of 1998 to force "an alliance" of countries opposed to greater integra-

Mr Cook's comments on Social chapter 'no threat' to competitiveness

By Robert Taylor, Employment Editor

The UK government's assertion that the European Union's employment policies would threaten the country's competitiveness if it signed the social chapter is strongly challenged today in an EU-commissioned report on the UK labour market.

The study by Mr Peter Robinson at the Centre for Economic Performance in London also denies that the UK government's labour market reforms explain the country's falling unemployment and improved produc-

The report appears to endorse the Labour party's employment strategy by saying "there is a good case for cautiously reversing some of the changes" on employment protection and minimum wage regulation carried out by the UK government

Although the report states "it does not necessarily represent the commission's official position", the fact that Brussels has published such a critical report so close to a general election will anger UK ministers. They intend to make the threat of EU social directives to the UK a key election issue, arguing Labour's commitment to sign the social chapter would cost jobs.

Mrs Gillian Shephard, the education and employment secretary, said yesterday she found it "incredible" that the European Commission claimed credit for the UK's falling unemployment. Mrs Monika Wulf-Mathies, EU commissioner for the regions, had said EU structural funds had helped create 750,000 jobs in the UK.

The report questions the UK government's attitude to **EU** labour market policies arguing "specific measures brought forward under the social chapter of the Maastricht treaty are likely to have very little effect on the UK labour market.

"The most significant aspects of deregulation in the UK have occurred in collective industrial relations and pay determination" and "in practice the Enropean Commission has put forward no directives which would materially affect these areas or require the UK to roll back any of the legislative changes made

since 1979. "Most Ell directives which have had effects in the field of individual employment rights have had nothing to do with the Maastricht treaty and have generally reinforced the tendency to codify those rights in the UK anyway in areas which have seen hardly any net deregulation," it says.

question executives over Emu

Japanese

By William Dawkins In Kyoto

businessmen and bankers warned this weekend that Britain should not drift apart from its European neighbours. But they said, at a private meeting with UK counterparts, that they understood UK scepticism over monetary union.

A visiting delegation of UK politicians, top executives and government officials faced a barrage of detailed questions over Britain's wait and see attitude to Emu at the annual meeting of the UK-Japan 200 Group, a private sector body devoted to furthering bilateral relations.

The meeting, whose pro-ceedings are not attributable to individual delegates, produced the clearest explanation yet from Japanese corporate investors of how they think British scepticism over Emu might affect their European interests, and did much to assuage their concerns.

Most members of the Japa nese delegation agreed that last week's warning by Mr Hiroshi Okuda, president of Toyota, that Japan's largest car company might place new investments elsewhere if Britain stayed out of Emu, had more impact than intended.

Two chairmen of leading Japanese multinationals stressed that they did not plan to change UK investment plans on the strength of British membership or non-membership of a single European currency. Japanese bankers present agreed that the City of London's attractiveness as an international capital centre would not be diminished if Britain

were to stay out of Emu. The Kyoto meeting showed a growing realisation by Japanese businessmen that, however surprising it might have appeared a few a months ago, some move towards Emn is possible, and that their interests could be affected.

But beneath the Japanese attempts to calm the controversy, the consensus vester day was that Japanese companies' interests as investors in Britain and exporters from the UK to continental Europe, would on balance be best served by eventual UK membership of Emu.

UK NEWS DIGEST

Labour attacks **Tube sell-off**

The opposition Labour party yesterday said that the government was planning to sell London Underground, the capital's train subway network, "on the cheap", after it emerged that ministers estimate the privatisation might raise as little as £600m (\$972m).

A document leaked to a Sunday newspaper said that a cabinet paper written by Sir George Young, the senior transport minister, suggests the sale could raise between £500m and £1.4bm, far short of the network's widely estimated value of £13bn.

Sir George refused to deny the authenticity of the eaked document, but said: "We are seeing whether the real improvements we are seeing on the [franchised] railways can be applied to London Underground." Labour said the plan was "driven by dogma" and would lead to fare increases and service cuts.

Hotel rating scheme adopted

The English Tourist Board yesterday announced the adoption of a single five-star ratings system for hotels in a move aimed at ending years of confusion over the quality of rooms and services. However, the Scottish Tourist Board is refusing to join the system, and will continue with its own scheme.

The English system will use the international system of five stars. It will cover all hotels, with a similar scheme for bed-and-breakfast facilities, guesthouses, farmhouses and inns. It takes into account the quality of accommodation and emphasises the facilities provided. The Wales Tourist Board is expected to adopt a similar system. Scotland's scheme, in contrast, stresses quality over

■ MOTOR SALES

Car prices 'pitched too high'

Car manufacturers and franchised dealers have pitched new-car prices too high to attract the majority of private buyers and are pouring more than 300,000 of their own short cycle" cars into the used-car market each year. according to a report by Cardiff Business School.

These vehicles, accounting for more than 15 per cent of the 2m new-car market last year, are made up of manufac turer and dealer company cars, courtesy cars, fleet and dealer demonstrators, and cars for associated companies New Car Sales, Centre for Automotive Industry Research,

Cardiff Business School, CF1 3EU. £100.

■ COMPETITION

Property industry faces £83m bill

The commercial property industry could face an £83m (\$134.46m) bill to comply with regulations introduced in the Budget, according to the government's deregulation task force. Landlords will need to invest in new systems and employ large numbers of extra staff to handle the change, which is designed to close a £110m tax loophole.

The rules are an attempt to prevent businesses that do not charge value added tax, notably financial services companies, from exploiting a complex loophole to reduce VAT on their property costs. In addition to the cost of the new systems, the British Property Federation estimates the on-going compliance costs for landlords will be up-to

EU warning on windfall tax

The Labour party's plans to impose a windfall tax on companies sold off by the UK government could fall foul of European Union competition law, officials in Brussels said vesterday. It would run into difficulties with the competition authorities if it was applied to one company but not to its direct domestic competitors.

"If there are companies which are objectively in the same position and some are taxed and some are not, that could pose a problem," said an official. However, if a tax were charged on a company that enjoyed a monopoly, there would be no legal difficulties.

■ GIFTS

Charity donations static

Fears about the National Lottery's impact on charities will be revived this week by new information showing "stagnation" in charitable donations from the public. The total income of 100 leading charities as measured by the Barclays/NGO finance charity 100 index rose by a negligible 0.7 per cent during the four financial quarters from October 1995 to the end of September 1996, which covers the first full year in which charities faced competition

By comparison, during the three years from January 1992, annual growth in total income, as measured by the index, comfortably outpaced the retail prices index. The average year-on-year rise was 8.75 per cent. Alan Pike

Global tax policy may raise gearing

Accounting for tax in line with the new international code, rather than the UK's unique system of partial provisioning, would add 10 per cent to the gearing of the UK's top 90 companies.

The utilities would be hit hardest, according to a survey by accountants Coopers & Lybrand, They would see gearing increase by an average of 21 per cent - compared with just 1 per cent for the banking sector.

The figures will help fuel the debate about whether the UK should follow the global accounting code being developed by the International Accounting Standards Committee under the leadership of Sir Bryan Carsberg. The survey looks at the effect of accounting for tax

using a method less severe

than the one chosen by the

IASC. If its full provisioning

method was used, the aver-

age increase in gearing could be greater still by between 1 and 5 percentage points. Capital intensive sectors are hit hardest by full provisioning for tax because they attract allowances which can defer tax payments

indefinitely. Last week Sir David Tweedie, head of the UK's Accounting Standards must provide for tax if they Board, indicated that he was are committed to a transac-

seeking support for a policy of backing global harmonisation, but taking an indepen-

dent line on some issues. "This is one of the first tests of what accounting harmonisation means for the UK," said Mr Roger Davis, head of audit and accounting at Coopers & Lybrand.

There is a recognition in industry that the UK cannot go its own way on too many rues as this could undermine the credibility of accounts and lead to an increase in the cost of capital. There is likely to be a debate this year on whether accounting for tax should be one of the exceptions.

While the present UK method is unsustainable, the ASB may seek support for a less severe method - such as the one used by Coopers & Lybrand for its survey and known as the committed transaction method. Under this method, companies

tion which will increase liability. But tax would not, for example, be provided for when liabilities arise due to asset revaluations.

Gearing is a measure of the extent to which a company is financed by debt rather than equity. It is a kev analytical indicator and is tracked by the markets. Any sudden change would be seen as disruptive and would hit share prices. "It should not logically

affect the market but it could," said Mr Peter Holgate, accounting technical nartner at Coopers. Currently UK companies make a partial provision for deferred tax - based on a view of those tax liabilities

that are likely to arise in the medium term. The method was devised so that companies were not weighed down with liabilities that would never materialise due to tax allowances. But they do have to disclose the full the-

'Golden numbers' Manchester factory's low wage bill entices light bulb maker

German group shifts production

THE WEEK AHEAD

The 21st Century Numbers Company, based in northern England, is selling the telephone number "07000 milleunium" and its mobile equivalent "0321 millennium" at £1m (\$1.62m) for

By Alan Cane

The offer is the most spectacular example of the growth of the "golden numbers" phenomenon in the UK. where customers are prepared to pay large sums of money for appropriate or easy-to-remember numbers. Many are buying special

speculating that they will increase in value.

The growth of the market is being boosted by a return to keypads which feature letters as well as numbers. making it possible to dial a word instead of a number. The company said it had

turned down a bid of £50,000 for the millennium numbers from a US group. Oftel, the UK telecoms

regulator, has reserved 1hn "personalised" numbers with the 07000 prefix after witnessing explosive growth in the business in the US.

Do 7% Series C Euronotes

1999 \$390.83

Capital Tst 1.6p

Do 7.375% Series D

Euronotes 2000 \$411.77

Close Brothers Venture

Frederick Cooper 1.95p

Tst 3.5% Cm Pf £1.75

Greene King 4.75p

Lynx 1.3p

Johnson Matthey 4.7p

London Industrial 4.5p

Lowndes Lambert 2.9p

Marling Industries 0.12p

Dunedin Income Growth Inv

Electric and General inv Co

ring up a fortune By Peter Marsh

Osram, the world's second biggest maker of light bulbs, is expanding its factory near Manchester and moving some production from Berlin after finding employment costs in the UK are a third of those in Germany.

The move could create up to 200 jobs at Osram's plant in Shaw, which already employs 500. Osram is part of Siemens, the German electronics and electrical engineering group.

Osram made its decision after finding total employ-

ng wages and costs such as social benefits and employment taxes - were only 34 per cent of those in Ber-

In the same study, the US came out as having 60 per costs of Berlin, while the figure for Mexico was 4 per

In an interview with the Financial Times, Dr Wolf-Dieter Bopst, president of factory had emerged from Osram, said it was also influ- a Europe-wide analysis enced by the Shaw factory's as the best place to build record on flexible working. up production of photofor example allowing rapid optic lamps, alongside

ment costs in Shaw - includ- changes to shift patterns Osram's existing manufacdepending on demand, and the high quality of its engineering department.

The project is expected to involve an investment of £10m. This will mainly cover machinery to make specialcent of the employment ist photo-optic light sources - high-intensity lamps used in industries such as television broadcasting, airports

and warehousing. Dr Bopst said the Shaw

turing site for these products in Berlin.

Photo-optic lamps, which can cost several hundred pounds, are one of the fastest growing parts of the worldwide lighting industry. They account for only about 4 per cent of Osram's total annual sales of some DM6bn (£2.2bn), but their share is growing by about 20 per cent

Under the plan, annual output at the Shaw plant, which is currently worth about £22m, could inc by a third by 2000.

DIVIDEND & INTEREST PAYMENTS

Abbey Natl Treasury Svs 8% Gtd Nts 1997 \$80 Aberdeen Coron Gas Annuities 12.5p Acal 3,16p AEA Technology 2.75p Bell Atlantic Corpn \$0.72 BellSouth Corpn \$0.36 BOC Group 14.5p British Petroleum 5p City of New York 6.375% Series A Euronotes 1997

Euronotes 1998 \$376.88 **UK COMPANIES**

Do 6.750% Series B

■ TODAY **COMPANY MEETINGS:** Dewhurst, Melboume Works, Inverness Road Hounslow, Middlesex, 11.00 BOARD MEETINGS: **European Assets Tst** Media Business Groun Mid Wynd Int TR Smaller Cos inv Tst US Smaller Cos Inv Tst

TOMORROW

COMPANY MEETINGS:

Archimedes Inv Tst, Royex House, Aldermanbury Square, E.C., 12.30 Sidlaw Group, Stakis Edinburgh Airport Hotel, Edinburgh, 12.00 Waterfall, 222, Grays Inn Road, W.C., 10.00 BOARD MEETINGS: Gartmore British Inc & **Gwth Tst** St Andrew Tst Interims:

Monks Inv Tst 3.5p Moorepay Group 2.25p Natl Home Loans 1.3p Norbain 3p Plysu 2p Ransomes 0.750 Christian Savisen 20.8p Sanderson Electronics 2.2p

Scapa 1.92p Selyu 3.80% Bds 1999 Y380,000 South West Water 8.375% Nts 1998 £8.375 Sumitomo Realty & Dylpmnt 3.90% Nts 2000 Y390000 Syltone 2p Tiger Oats 5.5% Gross Cm

■ WEDNESDAY

Street, E.C., 10.30

Airport Hotel (The

Street, E.C., 10.00

Dwyer Estates, 100,

COMPANY MEETINGS:

Cariton Communications,

Armourers Hall, 81, Coleman

FEBRUARY 5

Pf R2 R0.055 Eliza Tinsley 2.1p

TOMORROW Bogod0.12p Do 'A' Res Vtg 0.24p Consolidated Company **Bultfontein Mine R0.045** De Beers Consolidated Mines 40% Gross Cm Fp R1 Do 8% Gross Cm 2nd Pf R0.04 EuroDollar 2p Griqualand West Diamond

Mining Co Dutoitspan Mine

R0.21

Meconic 2p Tate & Lyle 11.7p Thames Water 11.2p Volex Group 7.35p

■ WEDNESDAY FEBRUARY 5 Henderson American Cap. & Inc Tst 1.8o Kloof Gold Mining R0.55 Loades 1p MEPC 14.75p Perstorp Free B Series Skr2.50 Randfontein Estates Gold Mining Co. R0.50

Refresh Tranche A Perp Sec FRN Y1613151 Do Tranche B Perp Sec FRN Y1663582 South West Water 10%% Bds 2012 £1062.50 Wellman 0.45p

> **THURSDAY** FEBRUARY 6 Treasury 7% Cv 1997 £3.50 Treasury 8% 2012 £4.50 Calor Grup 40p Clavbithe 0.88p Exmoor Dual Inv Tst 1.12p Do Income SHS 1.6p South Africa (Republic of)

Vaux Group 7.04p # FRIDAY FEBRUARY 7 Avon Rubber 13.75p Barcom 0.8p

Boots 6.2n

9.375% Nts 2006 £93.75

Eldridge, Pope 'A' Res Vtg Gartiand Whalley & Barker 0.32p Latham (James) 2.75p Marubeni Int Finance Dual Currency Yen/US\$ Bds 1997 Y650000 MFI Furniture 1.7p

M&G Second Dual Tst 18.1p

House Hotel, Oxford Road,

Tunstall Group, Whitley

Pall Corpn \$0.14

Aylesbury, 11.30

Pearson Sterling Finance 10%% Gtd Bds 2002 £537.50 Racai Electronics 2.1p Sidlaw 1p

Utility Cable 0.49p SATURDAY **FEBRUARY 8** Moran 0.5p Northern Foods 6% Cv Sb Bds 2008 £33.75

Somic 1.25p SUNDAY FEBRUARY 9 Coats Viyella 61/4% Senior Cv Bds 2003 £31.25

Crown Eyeglass 4.5p

unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.



BOARD MEETINGS: Interims: Betacom British Sky Broadcasting **III THURSDAY**

S.W., 12.00 Denmans Electrical, Narrow Quay House, Prince Street, Bristol, 12.30

Place, E.C., 10.00

BOARD MEETINGS:

Jordic Group, 14, Milibrook Road, Yate, Bristol, 12.00 Quadramatic, Stanneylands Hotel, Wilmslow, Cheshire, RCO Holdings, 20, Old Bailey, E.C., 3.00 Regent Corp., Chartered Accountants' Hall, Moorgate

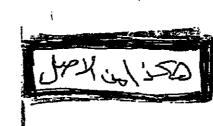
Continental Assets Crest Nicholson

COMPANY MEETINGS: Chemex Int, 44, Worship Street, E.C., 11.00 Eldridge, Pope & Co., Dorchester Market Hall, Weymouth Avenue, Dorchester, Dorset, 12.00

Lodge, Whitley Bridge, Yorkshire, 2.00 **BOARD MEETINGS** FRIDAY FEBRUARY 7 Amicable Smalle **Enterprises** Heavitree Brewery Murray European Inv Tst

Warrants & Value Inv Tst zelock Group, Hartwell

Company meetings are annual general meetings



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DAY FEBRUARY

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windfall tax

Whether your company produces waste, tries to recycle it or depends on a steady supply of raw materials, your business is bound to be affected by environmental controls. There are thousands of regulations, both in the U.S. and overseas, designed to protect the environment. These environmental standards are in a constant state of flux, and can have far-reaching risk implications for all kinds of businesses. Fortunately, AIG specializes in designing the kind of custom coverages you need to cope successfully with changing conditions. In fact, AIG is the only world-

wide insurance and financial organization that helps manage your business risks with a broad range of customized services. Services like cleanup cost cap, hedging and market-making in commodities and stop-loss protection. And we've got the top financial ratings to back us up. So we'll be there to help keep your business rolling along.

WORLD LEADERS IN INSURANCE AND FINANCIAL SERVICES



DUMP THEM, YOU BREAK THE LAW. RECYCLE IMPROPERLY, YOU BREAK THE LAW. MEANWHILE, MORE TIRES JUST CAME IN.

3:

THIS WEEK

A general theory of Gaullism

ven when Charles de Gaulle was still president, many thought the main features of Gaullism would not outlive him. In January 1968, before the general met his biggest test on the streets of Paris, an opinion poll showed that 40 per cent of the French did not think the Fifth Republic would outlast its founder. Only 30 per cent thought it would.

How wrong the 40 per cent was. Power has shifted from right to left and back again, left and right have even cohabited, and the Fifth Republic has lasted. So has Gaullism. After a 21-year gap, Jacques Chirac's 1995 presidential victory put a Gaullist back in the Elysée. The neo-Gaullist party he founded, the Rassemblement pour la République (RPR). is the biggest in the National Assembly, the party's president, Alain Juppe, is prime minister.

But can Gaullism survive Chirac? This question is now being ed by opposition leftwing poli- the left in criticising him. ticians. They point to his decision

DATELINE

which de Gaulle pulled out of in 1966. Chirac has, of course, said **Paris:** the views of the price for France's return is reform of Nato, putting more the Fifth Republic's Europeans in top command founder may not posts. But he has yet to get what he wants from Washington. Chisurvive Chirac, rac has threatened to keep French forces outside Nato if his particularly But the French president's

after monetary union, writes **David Buchan**

which de Gaulle oversaw just after the second world war. This is an overblown charge for the majority of Gaullists, who see welcome reversal of socialist issue.

takeovers of the early 1980s. But some Gaullist backbenchers sell off state defence companies such as Aerospatiale, maker of the missiles that carry the general's nuclear force de frappe. They also criticise the government for allowing Brussels to grind away at the monopoly rights of state

Worse for some Gaullists is Chirac's commitment to subsume the franc into the euro. At a seminar last week in Paris on "the modernity of Gaullism", the 86year-old Maurice Schumann, who was the voice of Gaullism on the reversing the nationalisations BBC from wartime London, thundered against the loss of budgetary and fiscal sovereignty that he was sure would follow in the wake of the single currency. He most recent privatisations as a demanded a referendum on the

worry about government plans to the 39-year-old commissaire au plan who has inherited the institution that successfully planned France's post-war reconstruction but has now been reduced to a think-tank by development of the market economy and European integration. Guaino, a close associate of Philippe Seguin, the National Assembly's Eurosceptic Gaullist president, appealed to the French not to resign themselves to the effects of rampant

> mondialisation of the economy. The survival of Gaullism lies in its flexibility. Its core is patrio-tism (if you like it) or nationalism (if you do not). It has its phrases, like the general's wonderfully vague hankering after "une certaine idée de la France" and his claim that "la France ne peut être la France sans gran-

Those far younger took up the cry. One such is Henri Guaino, from the great moments of the general's career, teaching the French that there are times (1940) when they must resist, and times (independence for Algeria) when they must adapt. It has its themes - independence of the country, authority of the state, and firm leadership.

But it has no doctrine, certainly not on economics, to restrict its appeal. Gaullism is therefore to be found across the political spectrum, and does not necessarily embrace everyone in the RPR. A 1991 opinion poll found that while only 55 per cent of RPR supporters described themselves as Gaullists, 10 per cent of Socialists and 32 per cent of National Front members did. This gave statistical backing to André Malraux's earlier description of Gaullists as everyone

riding "on the metro at 6pm". But Europe divides Gaullists. Some Gaullists - they clearly include Juppé and probably Chirac - feel they can switch their goals and ideals from the nationstate on to the European Union which would be France writ large. Thus, by a single currency as well as a common defence, Europe can be made effectively independent of the US. It is striking how France's Gaullist leaders these days justify the euro as making Europe a monetary power on a par with the US and

Others - and they include Séguin - are reluctant to make this leap. They tend to see the EU's prime effect as undermining the authority of the nation-state and the ability of its government to exercise firm leadership. These two groups of Gaullists may well never seriously part company while Chirac is president, but they are likely to do just that if Juppé and Séguin ever compete to succeed him.

The Monday Profile: Stephen Bollenbach, Hilton Hotels

to try to return France to Nato's

integrated military command,

threat is starting to look like

bluff. The defence agreement he has recently signed with Ger-

many's chancellor, Helmut Kohl,

situates Franco-German security

firmly within Nato, and under

Uncle Sam's nuclear umbrella. If

Chirac backs down on his

demands for a Europeanisation of

Nato, many Gaullists will join

The left also accuses Chirac of

Dealmaker full of beans

🐧 tephen Bollenbach is a man in a hurry. He has been chief executive of Hilton Hotels for less than a year - his first anniversary is on Wednesday - and he is already on his second big deal.

A few months ago, Bollenbach raised eyebrows when he pipped the rival ITT leisure group in a long-running tussle for ownership of the Bally Entertainment casino company, paying \$3bn (£1.8bn). But it now turns out that this was just a dress

rehearsal for the real thing. Last week, Bollenbach astonished the leisure industry by launching a \$6.5bn hostile bid for ITT itself. If successful, the takeover will create the world's largest hotel and casino company, combining the Hilton hotel chain with ITT's Sheraton hotels and joining the two companies' extensive gambling operations.
With hindsight, perhaps the

move was not so surprising. Bollenbach, after all, has a history of dealmaking - most recently at Walt Disney, where as chief financial officer, he engineered the company's \$19bn takeover of Capital Cities/ABC, one of the world's biggest mergers.

A native of southern California, Bollenbach holds a bachelor's degree in finance from the University of California at Los Angeles and a master's degree in management from California State University. But he credits the legendary shipping tycoon Daniel Ludwig for much of his business and financial acumen.

Ludwig, reputedly one of the world's richest men - and certainly one of the crabblest - had the Caribbean to coal mines in restructure his business empire. Australia. Bollenbach joined him in 1968 and stuck with him for 12 hotels. As chief financial officer bach, he was knocking on an ers, and he has the ability to lisyears, holding a series of posi-

tions in financial management. the leisure and entertainment national, and became chief execubusiness came in 1986 when he tive of Host Marriott. But in 1995, became chief financial officer of he left to become Walt Disney's Holiday Corp, owner of the Holi- chief financial officer. day Inn hotel chain. There, he resulted in a share price appreci- the Capital Cities/ABC deal, had offered to sell the company



of Marriott, Bollenbach led the break-up of the company into Bollenbach's first move into Host Marriott and Marriott Inter-

ation of 250 per cent in two years. when chief executive Michael Next, in 1990, Bollenbach Eisner appointed Hollywood talpicked another odd challenge by ent agent Michael Ovitz as presijoining Donald Trump at a time dent. Bollenbach strongly when the real estate magnate's opposed the appointment, argufortunes were at rock-bottom. He ing that Ovitz wasn't up to the interests ranging from hotels in spent two years helping Trump job: so when Barron Hilton, chairman and chief executive of After that, it was back to Hilton Hotels, approached Bollen-

open door.

At Hilton Hotels, Bollenbach became the first person outside the founding family to take the chief executive's job. The company badly needed fresh blood, having long since lost its direc-Bollenbach's brief tenure at tion. Barron Hilton, who controls organised a restructuring that Walt Disney ended shortly after about 25 per cent of the shares,

at least twice, but could not get a high enough price. He had also considered a break-up or spinning off the gambling side, abandoning the plan last year and

bringing in Bollenbach instead. Critics say Bollenbach is just a financial wheeler-dealer with no solid management record to comnare with that of Rand Araskog, who has been at ITT for 30 years - the last 17 of them as chairman and chief executive. "He's all sizzle: there's no steak there at all," says a critic in the ITT camp. Bollenbach has had a string of jobs. He does a lot of sizzly, visible financial engineering, then when people start to take a look and get closer, he's gone."

Still, a little sizzle does not seem to have done Hilton's shareholders any harm: since Bollenbach joined, the company's share price has risen 55 per cent. But he is not, say those who know him, just a boring bean counter.

Some evidence of this emerged in December when Bollenbach blew the whistle on Michael Ovitz in an explosive article in Vanity Fair magazine, portraying him as almost comically out of his depth at Walt Disney. "The point was, Michael Ovitz didn't understand the duties of an executive at a public company, and didn't want to learn," Bollenbach was quoted as saying. Days after the article appeared, Ovitz quit.

This episode might suggest a vengeful streak but friends say Bollenbach has an unusual ability to work well with difficult people - witness his years with Ludwig and Trump.

"The thing that makes him so effective is his personality," says someone who knows him well. "He's not autocratic. He very much values the opinions of othten. He has the character and the personality to deal with other people well, which is something unusual for somebody with a financial background." These qualities could be tested

to the full as the hostile bid

Richard Tomkins

FT GUIDE TO:

SELF-ASSESSMENT

Suddenly the UK is in the grip of self-assessment now they are made on a previous-year basis. Some century. How could the tax authorities spring such a nastv surprise?

They didn't. The UK's Inland Revenue has spent millions of pounds telling the 8.5m taxpayers affected that self-assessment really bites in 1997.

So what is all the fuss about?

Most taxpayers - and their accountants - probably underestimated how big a change it was going to be. Also, frankly, it is never in the interests of personal tax advisers to underestimate the difficulties of filing a tax return.

But surely the UK was already under self-assessment? The US has run a similar system for years and most experts agree it radically cuts costs and is far more efficient.

No. The British system has always been different. It has been described as a "Rolls-Royce" among tax regimes – expensive but in a class of its own.

Basically, the UK couldn't afford the petrol. The old system dealt with each taxpayer on an individual basis. If your affairs were anything other than straightforward you entered into a dialogue about the various sources of income and your tax In the US taxpayers use "tax shops" to file their bill on each. It was open to the taxman to challenge figures before bills were settled. Payments of tax on different types of income were made on different dates. Wrangles could drag on for years.

And that all costs money? Yes. It was very expensive. And the government big tax department - to try to cut staff and outsourced its information technology systems.

So what's new about self-assessment? Self-assessment is actually a misnomer. The origi-

nal idea, now quietly being downplayed by the Revenue, was that taxpayers would work out their own tax liability. They can still do that, but there is no pressure. What is really different is the tax return. It will be processed and checked routinely and the tax liability calculated on the figures provided by the taxpayer. No arguments.

fib a bit and go home happy?

Right about the calculator. Wrong about relaxing at home. After the bills have been paid they are open to audit. If something is wrong, there are interest payments and penalties. The system puts the entire onus on to the taxpayer who is expected to be right first time.

So that's the big difference. That and the fact that the new system will bring tax payments on to a current-year basis, whereas

- the biggest reform to the tax system for half a taxpayers, such as partners, will no longer be in the happy position of paying last year's tax bill with this year's earnings.

How does it work then?

Taxpayers will make two payments on account for a tax year. These will be estimated on the basis of last year's earnings but can be adjusted by taxpayers. When the tax bill is worked out a balancing payment becomes due. If taxpayers work out their liability as well they can post the cheque with the form.

And when does all this start?

It already has. But for most it won't really bite until tax forms go out in early April. This is not great timing as the UK is likely to be only weeks away from a general election. Officials long ago told ministers this might not endear them to taxpayers but nobody listened. Now it is almost

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And if Labour wins? No change. They can see the potential savings too. They can always trot out the line about "empowering the taxpayer".

returns - paying low fees for an over-the-counter service. Guess the UK is up to speed on that? Not quite. Almost everyone in the US has to file a tax return, making tax shops viable. In the UK, millions of taxpayers are part of the PAYE (pay as you earn) system administered by employers. But a market is developing. About half those affected also started to squeeze the Inland Revenue - the already have accountants to help them. The rest will be hunted down by strings of new tax shops. improve efficiency. As a result, for example, it The US chain of tax shops H&R Block is rumoured to be considering a move to the UK.

> Sounds like the UK is still catching up. Don't suppose you can file by computer in that case? Yes you can. The taxman has high hopes for the so-called Electronic Lodgement Service. It will begin this year, but estimates of the numbers who may use it vary wildly. But it is the shape of things to come. Cutting out paper would bring huge savings. Accountants could get real economies of scale by processing thousands of forms.

Sounds great. I don't need a calculator and I can So that is the great goal for self-assessment, is it? No, there's more. The Revenue will pause for a year or two and then move on to full self-assess ment for companies. At the moment companies are taxed under a system which is a halfway house to self-assessment. But the move holds real dangers. Individuals could face a surcharge of up to 5 per cent for getting an assessment wrong. Imagine botching your company's transfer pricing liability. One mistake could cost you millions.

Jim Kelly

NOTICE OF EARLY REDEMPTION International Bank for Reconstruction and Development

Global Multicurrency Note Program Italian Lire 300,000,000,000 9.375 per cent. Callable Notes due 1999 ("the Notes")

NOTICE IS HEREBY CIVEN that, all of the outstanding Notes will be rederented by the Bank on March 5, 1997 (the "Optional Redemption Date"), pursuant to Condition 5(e) of the Terms and Conditions of the Notes and Condition 11 of the Priving Supplement relating to the Notes. The Notes will be Redeemed at their principal amount outstanding together with accrued interest to the Optional Redemption Date. Interest shall cease to accrue on and from the Optional Redemption Date.

Payment of principal and interest will be made against presentation and surrender of, respectively, the Notes and interest couputs appertaining thereto at the specified office of Morgan Guaranty Trust Company of New York arting through its London Office or Banque Paribas Luxembourg. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: Morgan Guaranty Trust Company of New York
as Global Agent Dated: February 3rd, 1997



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Robert Chote · Economics Notebook

Capital flows taken into account

Emerging countries' ever-increasing deficits need not be a problem

economies are moving deeper into the red - their current account deficits are likely to be almost half as big again this year as they were in 1996. This growing reliance on foreign savings is not necessarily a problem, but it may be sending an

ominous signal about the health of some of these economies. Current account deficits are expected to total almost \$150bn account deficits and investment (£92.5bn) in the 30 leading emerging economies this year, says residents - which totalled last week's report from the Institute for International Finance, the Washington-based lobby group for financial institutions. This deficit will have widened from \$107bn last year, less than

\$80bn in 1995 and a position of near balance as recently as 1987. This year's addition to the pool of red ink is in large part the result of an improved outlook for economic growth, which is expected to suck in imports of investment and consumer goods. Thanks in particular to accelerating activity in Latin America and Europe, the institute is looking for a 5.7 per cent expansion in the emerging market economies in 1997. This is a percentage point more than the average growth rate recorded over the past four years.

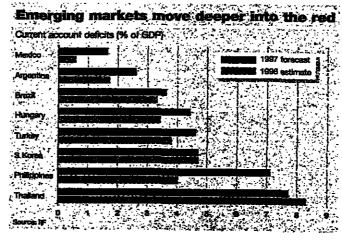
"At an aggregate level, the use of external resources on this scale by emerging market economies broadly represents an effi-cient allocation of world capital towards high-return investments, rather than a slide toward overborrowing of the type that preceded the debt crists

The world's emerging market of the 1980s," the institute argues in its latest report on international capital flows.

Indeed, \$150bn still represents less than 3 per cent of the combined gross domestic products of these 30 countries, a proportion that does not look excessive. Capital flows into these countries should also exceed \$240bn for the first time this year. Thus, in addition to financing current outflows by emerging market almost \$30bn from Russia alone last year - this should pay for a further increase in their stock of foreign exchange reserves.

Last year, the emerging markets used only 45 per cent of their capital inflows to finance current account deficits. About 30 per cent was devoted to the accumulation of reserves, taking their total value to \$500bn. This increase was bigger than past experience would have suggested, given the size of the accompanying trade flows. With imports of goods rising by \$99bn to \$1,030bn last year, the emerg-ing markets would have needed to add only \$33bn to reserves to maintain a comfortable 1:3 ratio of reserves to imports.

In aggregate, the current account picture may look satisfactory, but the total disguises significant differences between individual countries. The graphic shows, for example, that Thailand and the Philippines are set to run current account deficits well in excess of twice the emerging market average this 1991-95) external crises did from a rise in real interest rates year. Brazil, Hungary, Turkey result. They conclude it is imposor a change in oil prices. And



post deficits well above 3 per cent of gross domestic product. But at the level of an individual country, can we be certain excessive? A recent study* by Gian Maria Milesi-Ferretti, at the International Monetary Fund, and Assaf Razin, at Tel Aviv University, suggests that this remains a difficult judgment.

episodes in which countries ran big deficits for some time. In Australia (1981-94) and Malaysia (1991-95) these deficits prompted no dramatic policy changes or crises; in Ireland (1979-90), Israel (1982-86), Malaysia (1984-85) and South Korea (1978-88) policy changes took place which fore-stalled crises; but in Chile (1977-82) and Mexico (1977-82 and

and South Korea are also set to sible to give a consistent numerical definition of an unsustainable deficit. In theory, it is possible to

judge whether a country's current account position is sustainable simply by asking whether it will be able to generate sufficient trade surpluses in the future to repay existing debt. But the study says this approach is flawed because it sidesteps Their study examined eight two issues: a country's political willingness to repay its external obligations and the willingness of foreign investors to continue lending on current terms.

The study offers no easy answers. It concludes, for example, that you cannot tell whether a country will have difficulty servicing its debt simply by looking at the intensity of the external shocks it faces, say,

sis just by looking at the size of a country's external debt burden, the relative importance of short versus long-term borrowing or the size of the interest payments it has to make.

you cannot predict a looming cri-

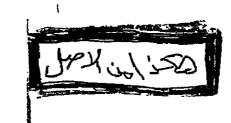
Some factors provide more help in predicting crises, but these are fallible. It is clearly ominous when big current account deficits are accompanied by heavy government borrowing, but both Chile and Mexico have suffered crises when their public finances were in relatively good repair. Weak banking systemsand overvalued exchange rates are also dangerous, but the problem here is to quantify when exactly they become a threat. Political instability might be thought universally problematic, but in Ireland in the mid-1980s it may well have been the catalyst for an overdue policy reversal. Unfortunately, this suggests there is no easy way to tell when a country is on the danger list.

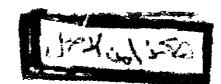
But it is clear that several different factors have to be taken into account and a subjective judgment formed overall. A quick glance around the erging economies shows several countries in which current account deficits appear to be pos-ing problems. Brazil, Chile, Colombia, the Philippines and South

But it is no easy task determin-ing if, when and where the drama will become a crisis. *Current-account sustainability. Princeton Studies in Interna

tional Finance No 81. Oct 1996.

Korea all fall into this category.





FINANCIAL TIMES MONDAY FEBRUARY 3 1997

MANAGEMENT

Barriers begin to crack

US companies face pressure to improve their mix of race and gender, says Tracy Corrigan

ive years ago Harvard Pilgrim Health Care, the US healthcare provider, noticed unexpected costs. Some black patients seeking help for mental health problems were asking to see black counsellors. The company had none on its staff and, at additional cost, had to look outside. The same thing happened when women patients asked to see female doctors.

DAY FEBRUARY

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The company found itself with an incentive to start a "corporate diversity" programme in 1993, aimed at ensuring the race and gender mix of staff reflected more closely the New England customer base and the broader US workforce.

The percentage of black physicians hired by the company jumped from 6 per cent in 1994 to 25 per cent in 1995. The percentage of women in senior management rose from 4 per cent in 1992 to 13 per cent in 1995.

As the proportion of minorities in the US population increases, more companies are beginning to find that, like Harvard Pilgrim Health Care, there are sound economic reasons for increasing the proportion of minorities and women in their workforce.

Nynex, the telecommunications group, is one such company and has a well-established diversity programme. Says Robyn Phillips, director of corporate culture: "We are in a competitive industry and we had better make sure that employees are diverse and reflect the customers we serve."

Pressure is also coming from groups which are able to harness growing black consumer power, such as the Rainbow/Push Coalition, led by the Reverend Jesse Jackson. Doris Davenport, the director of the commercial divi- to racial discrimination, and sion of the coalition, puts the agreed to institute a range of proposition bluntly: "In the words of Rev Jackson, we can either be reciprocal trading partners or

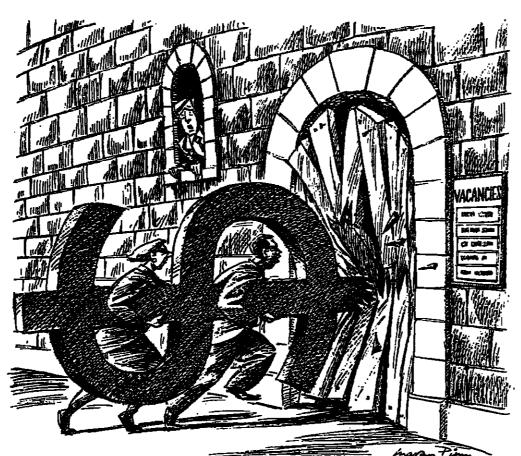
reciprocal boycott partners."

or years management

writers have endured the

contempt of academics in

the social sciences. The



and the associated downward pressure on share price, certainly appears to have got two companies to move on the issue of diversity.

Texaco settled a \$170m (£105m) lawsuit at the end of last year, after senior executives were caught on tape discussing the destruction of evidence relating grammes designed to change the corporate culture.

Mitsubishi Motors, following allegations of sexual harassment. Opportunity Commission points Indeed, the threat of boycott by and racial discrimination at its out "Employers already should minorities, negative publicity, plant in Normal, Illinois, agreed know their legal responsibilities,

programmes for minorities and

cases continues: most recently a attention." suit by two Morgan Stanley denied promotion after complaining about racist jokes transmitted by e-mail.

Such cases have brought the issue of diversity out of the human resources department and into the boardroom.

As the US Equal Employment

last month to invest \$200m in but when they see such a large settlement amount las Texaco's L that serves as a deterrent - espe-The spate of high-profile legal cially when it receives national

One problem is that not all employees alleges they were diversity programmes have been as effective as Harvard Pilgrim Health's. Most have done little more than pay lip service to the notion of advancing more women and people from minorities and are often seen as a bit of a joke.

The programmes are usually set up by human resources departments which may be removed from the real power base of the organisation. Train-

ing typically targets new recruits, who are herded in groups of 15 to 25 through one or two-day sessions of "consciousness-raising" or "sensitivity training" designed to challenge entrenched attitudes, or at least modify behaviour.

Says James Lowry, a management consultant specialising in the issue: "I think the sad truth is that there haven't been very many successful programmes. Let's be candid: companies haven't put money into this." The impact has been correspondingly slight, he

One way of encouraging success is to motivate senior management. Companies like Harvard Pilgrim, Nynex and Xerox have made the recruitment and promotion of women and minorities a criterion in judging management performance - and deciding pay.

Lawrence Otis Graham, diversity expert and author of a recently published book, believes that what will change attitudes is forcing CEOs to recognise that there are bottom-line benefits" to promoting minorities and

"I think that companies should require senior level executives as well as the board to be trained and coached on issues that deal with bias," he says.

Lowry recognised that corporate culture cannot be changed overnight - he believes it takes about five years to effect real change, and the effort may need to be ongoing.

Barbara Stern, vice-president, diversity, at Harvard Pilgrim agrees. "I can't say we will ever reach success. But in healthcare it's easier than in aerospace because we are a service busi-

"We were founded to serve all segments of the community so there was a natural linkage" between the company's culture and its diversity aims, she

they might otherwise ignore.

wisdom, business writing should

stimulate managers to think.

Business writing, for all its con-

tradictions and messiness, dis-

plays more respect for managers

than the scientific approach. The

gurus acknowledge the complex-

ity of the real world, and offer a

rich diversity of ideas and meta-

phors to help overcome organisa-

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scientists will only result in had

dom. Instead we need to build on

traditions in all the humanities,

such as history, literature, and

Third, to qualify as pragmatic

Change Yves de Poorter and the Marquis of Belforte: meeting demands

PARTNERS

Pex



Della Volta, the Marauis of Belforte, 39, bought Pex, a company which

manufactures children's socks, in 1993. With the help of his partner. Yves de Poorter. 35. the company has turned losses of £2.5m into £450,000 profits. Their urnover last year was £10m.

Andrea: "If Belgians are renowned for their beer and sausages, and Italians for their cars and spaghetti. I don't think either of us is typical But in our attitude to work we are very stereotypical.

Traditionally, Belgians are more organised and less inventive, whereas Italians are inventive but lapse with internal organisation. As a partnership we're hugely complementary.

I leave Yves to look after the margins, while I concentrate on the industrial aspects. We've spent the last 14 months ungrading the machinery so it can cope with the changing demands of the market.

Socks have to be complicated these days, in vivid colours with topical motifs. We've linked up with movie themes, but not in a strict way. Socks sell well with any old pig on, it doesn't necessarily have to be

I'm a great believer in developing a team mentality which is partly the reason for our success. A lot of company bosses say: 'I think I'll do this, I wonder what the chief executive thinks.'

I like the 'we' culture, which Yves has now adopted. At first he was quite egotistical and autocratic, which was very annoying. I don't even like it in speech because it gives people the wrong impression. He would say: 'I've made a

profit', which would make a third party think he owned the company. I learnt to use 'we'

instead of 'I' after a female colleague accused me of having a pathetic, Napoleonic attitude. Thankfully it happened at the age of 29 and from then on I changed my approach. It's important that everyone, not just the partners, feels like a

Yves: "I often call him Marquis, especially if I'm introducing bim. He likes to diminish it, but I don't see the problem with using a title. His ancestors were Antwero bankers who were painted several times by Van Dyke. I find it quite amusing because you wouldn't be able to tell from his face that he was from aristocratic

Andrea is very unlike other Italians I've met. In business they're usually very relaxed about spending, whereas he's aware of every single penny, rather like us Belgiaus.

stock.

He'll never spend a pound too much and will travel on the cheapest tickets available. We both share the view that if it's free, it's welcome. He likes to know the smallest details about every aspect of the business. from the finances to what's bappening in the factory. When he bought the company, he went on a knitting course to learn about the machinery. The key to investing in equipment is not about how much money goes into it, but how much comes out. We commute from London to

Leicester every morning at 5.45am, which gives us discuss our plans and productivity. I'm surprised he doesn't have more accidents because he gives the impression that he's the only driver on the road. I'm forever pointing things out, like red lights and other cars. His response is: 'If you don't like it. drive yourself.' It's a living danger, but I distract myself by working on the laptop.

Fiona Lafferty

Viewpoint · Donald Sull

Blinded by science

Gurus' writing springs from an ancient tradition

label "scientist", say scholarly critics, will not be earned until the management gurus systematise their ad hoc observations into a unified theory and submit it to rigorous empirical tests. When judged as a social sci-

Much of the theory is contradic- and they cannot afford to ignore tory, even faddish, in contrast to relevant variables. more respectable academic fields which build cumulatively on a single body of coherent theory. should not aspire to being a science, not even when it grows up,

Social scientists favour theories using as few variables as pos- data and imperfect analysis. sible. These parsimonious theoexplain only a sliver of the phe-

plained bits together as excep- help politicians, soldiers and prove useful. Three more tests

Scientists also value methodolhigh burden of proof on evidence, But management thinking routinely rejecting hypotheses in of memorable aphorisms, rousing which they have 90 per cent statistical confidence. Managers canfor the interests of managers and not afford the luxury of statistisocial scientists are worlds apart. cal certainty and must often act define or measure than proposidespite few observations, spotty

While it is not a science, mansquarely into an ancient tradition nomenon, while lumping unex- offering pragmatic wisdom to

tions. Managers, meanwhile, live traders act more effectively in can help us sift nuggets of pragence, even a fledgling one, man- in a messy world where many affairs of the world. Writers such , matic wisdom from drivel Machiavelli and Benjamin Franklin have offered practical tips for dealing effectively in public ogical rigour, and place a very affairs. Their writing eschews systematic philosophy in favour

exhortations and vivid examples

of effective men and women. Wisdom is much harder to tions based on scientific theory. We have no statistical tests to measure a statement's wisdom. ries translate into models that agement thinking does fit Advice that promotes effective action could be deemed wise, but

agement theory fails miserably. factors influence their success, as Epictetus, Marcus Aurelius, First, to qualify as pragmatic wisdom, business writing should ations, and jar managers help managers inspire change thinking. Urging gurus to become among colleagues and subordinates. Inertia, or the tendency of science with no increase in wisorganisations to persist in business as usual even in the face of environmental change, poses one of the greatests threats to organi- rhetoric to inform action in the sational improvement. The real world. Managers need first gurus, at best, can help galvanise rate Plutarchs, not second-rate managers to overcome inertia.

Second, good management writing should pick out the criti- The author is assistant professor cal challenges. Gurus can focus management attention on important elements of success that

Adam Smiths. of strategy and international School

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this measure is too abstract to Good break-up value for corporate voyeurs

orna Wendt is the perfect corporate wife. Her husband Gary is the chief executive of GE Capital. He earns a lot of money and jets round the world doing deals. She is the hostess with the mostest, who thinks nothing of inviting 100 business colleagues round to their place for a banquet, or of leaping up after giving birth to cook dinner for 12 of her husband's business associates. For the past 31 years she has encouraged him, advised him, and been a role model for other GE wives, offering tips on what to wear and what to cook.

Now this rich, successful couple are getting divorced and the spectacle is causing corporate America some discomfort (as well as a good deal of voyeuristic pleasure). The trouble is that she thinks the \$10m settlement she has been offered is not enough.

She says they were equal partners in his career and that therefore she deserves half of everything. And everything, if you are that high up in General Electric, amounts to

\$100m on her reckoning. The case has opened a can of worms. Is it a real job to be a corporate wife? And if so, what is its value? Mrs Wendt, who has apparently listened to a lot of business jargon over the years, said to the court last week: "Gary wanted to buy out my parinership and I didn't want to be bought out. It's like a hostile takeover - he offered me a very small percentage, and I said that's not the price of the buy-out."

She would be well advised to stop talking this way because, viewed in business terms, the advantage lies with her husband. GE recruited and promoted him for his considerable deal-making skills, not her for her culinary ones; to the extent to which they are partners, she is undoubt-

edly the junior one. A better business analogy is that of the fired executive. If she could



Lucy Kellaway

see herself in this light, the \$10m payoff would put her at the top of the range for sacked executives, and maybe she wouldn't feel so hard done by.

be made along moral lines: marriage is meant to be for better or for worse with all worldly goods shared. But no one really believes that any more. The best hope for Mrs Wendt is to attack some of the other side's bogus reasoning. "I have worked very hard and I've sacrificed a lot of pleasure to make this money," said Mr Wendt last week. "She got the satisfaction of being with the children."

This is pretty feeble. Neither hard work nor pleasure forgone has any-thing to do with it. And in any case. there is no knowing whether she found it more satisfying taking the A (slightly) stronger argument can kids to the park (if that's what rich people in Connecticut do with kids) than he did clinching a \$100m deal. I expect that what keeps her fight-

ing is not the rights of the corporate wife, but the usual motives in nasty divorces: hate and revenge. The court may not judge that she has had an equal share in building his career; but the opposite does not follow. She can certainly play an important part in spoiling it.

" IT'S JUST A LITTLE LAWSUIT I THREW TOGETHER

We know that the public sector has gone mad over consultants in the last few years, and that consultancy firms have hardly been able to believe their luck. But the news last week that Whitehall has spent £2.6bn - repeat, billion - since 1992, is hard to credit. Even harder is the notion that only one of the departments bothered to calculate whether

the money had been well spent, and

General Electric must be cringing

with every successive revelation.

just as the general public is lapping

it up. My favourite snippet so far is

the size of her clothes budget -

\$120,000 a year. Corporate America

may be dressing down these days,

but the wives still seem to be wear-

its sums do not look encouraging. The Labour party has jumped on these figures and is promising a general crackdown on the use of consultants. It might win more votes by promising to ban Whitehall from using them altogether: with one fell swoop it would have taken money from an unpopular sector and given it to the rest of us. The £700m for last year alone is nearly half a penny on income tax.

It would have been nice if Michael Grade could have said openly last week that one of the reasons he was quitting Channel 4 was the opportunity to make serious money at First Leisure.

On the one hand we are told that chief execs need to be paid so much because it is a free market, and they will move to places where the pay is better. But on the other hand, when it comes to individuals explaining why they have made a somewhat nnexpected career move, pay suddenly has nothing to do with it.



BUSINESS EDUCATION

Mark Ashurst investigates a high-level course for those marginalised by apartheid

Securing a bridgehead

ost entrants to busi-ness schools share at least one characteristic - ambition. At the University of Cape Town, however, ambition is a trait that students of the Associate in Management programme are expected to pick up as they go along.

The only full-time management course for people with limited for-mal education, Aim sets out to address two of the biggest challenges facing corporate South Africa: the general shortage of skilled management and the economic empowerment of people marginalised by apartheid. There can be few greater challenges facing business schools anywhere.

The whole mindset of the country is in the balance," says Nicola Coombe, Aim director at the Graduate School of Business. She denies that Aim is "an affirmative action course", describing it instead as "a bridge for people who in a normal society would have progressed beyond their current position".

According to David Plane, managing director of Gray Security in Southern Africa, which has four employees on this year's course, its chief merit is in boosting the ambitions of his most able security guards. "I could recruit white graduates from outside the company, but I have used Aim because I want managers who understand

Comparison of management status of Aim graduates 1991-95

Sponsored students only Status in October 1996

it from inside," he explains. Modelled on the school's formal MBA programme but with more emphasis on group and project work, applicants for Aim need no academic record and are not required to take psychometric tests. About 60 per cent of its intake are black Africans, while 25 per cent are Asian or coloured

(mixed race) and 5 per cent white. Most students have completed minimum schooling, albeit interrupted in some cases by anti-apartheid school boycotts, while a few have experience of tertiary education. The majority join the course from a supervisory position within their sponsoring company, after a minimum of five years in work.

For many, Aim is a seminal experience. Patrick Mngadi, a former supervisor at Sappi, the pulp and paper producer, joined the course in 1995 after 16 years on the factory floor. Within weeks of returning to the group's Tugela Mill in Kwa-Zulu Natal he had been assigned to develop new working practices in

exposed to the higher levels of my organisation," he recalls. "Now I am recognised as a trainee manager, they see me as a changed guy who can talk about ideas.'

The 10-month residential course combines the usual business school curriculum - accounting, information systems and finance - with national themes. "Nobody in South Africa is sitting with the answers as to how to manage the situation that we're in," says Coombe. "Everyone is talking about transthinking about the role of a company in a political economy.

It is a mark of the changing corporate culture that many of Aim's most successful graduates have a trade union background. Welcome Nishangase, a former leader of the Paper, Printing, Wood and Allied Workers Union, was given a scholarship by packaging group Nampak to take the course in 1994 and equently joined the company

as "labour initiatives manager". He does not doubt their motives for funding the R50,000 (26,700) programme. "I wouldn't run away from the word co-option. For the first time I realised how much more the union could have achieved if we had understood ment principles.

Despite its progressive entry criteria, Aim's greatest flaw is its elitism. With an annual intake of just 40, and a hefty price tag, Aim caters for only a fraction of those who could benefit from it. With this in mind, JCI, the mining house which was one of 10 local companies to sponsor the launch of Aim in 1991, this year diverted its support to cheaper, workplace courses available to more employ

"Its all a bit utopian. Aim is a fine start but it's really a drop in "And that is absolutely cause for

NEWS FROM

From Russia to study banking

International Business School who specialise in banking will now be able to spend a year studying in London as part of their

five-year course. Students on the Mirbis course frequently plan careers in banking after graduation. The agreement between Mirbis and Middlesex

University Business School, in north London, is for the students to spend the whole of their fourth year in London where they will earn a postgraduate diploma in Money, Banking and Finance. Middlesex: UK, (0)181 362

 Three students from the China Europe . International Busine School, in Shanghai, have ecome the first beneficiaries of an etween CRIBS and lese, in The Chinese students are

to spend one term at lese, studying alongside students in the secon of lese's full-time MBA

Iese: Spain, 3 204 4000

MBA students will be spoilt for choice Students who cannot decide whether to study fall-time, part-time or through distance learning might well consider the Brunel Graduate Busin

School MBA which starts this autumn. It has been designed to enable students to switch between the different modes, depending on their Brunel: (0)1895 203064

Famous five join the board of directors

Organisers of the GMAT entry test, the Graduate Management Admission Council (GMAC), have appointed five busines school deans to join their board of directors. The new positions have been created to increase communications between GMAC and graduate

The five are George Batt (London Business School), Paul Danos (Dartmouth), Sara Freedman (Houston). William Pierskalla (UCLA) and Charles Plosser

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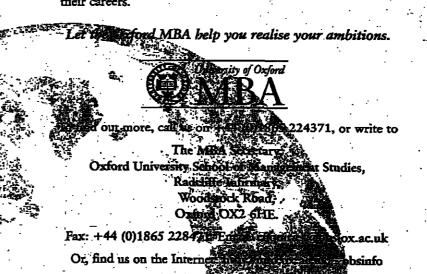
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CONFERENCES & EXHIBITIONS

FEBRUARY 11 Britain's Place in the

House, in association with the CBL to examine current and future trends in investment & trade with Latin America. Speakers Include Labou Party Spokesman on Foreign Affairs Inter-American Development Bank Inter-American Development Bank, Mexican Secretary of State for Trade, Deputy Governor of the Bank of England and ministerial panels on Central & South America. The Central & South America. The conference will develop themes raised the previous day at the Government's Link into Lain America's conference. Contact: The Corporate Office, Cantong House, Tel: 0171 235 2303 Fax: 0171 235 3587

FEBRUARY 11/12

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FEBRUARY 25 Business & The Environment A New Approach for

Beckett MP, Prof Sir Richard Southwood, Michael Meacher MP, Adrian Wilkes, ElC. One day national nce to examine the implications of a change of government on business. Contact Neil Stewart Associates 0171 222 1280 (fax 1278)

FEBRUARY 25 CRINE Network Conference The Global Challenge the U.K. oil and gas indu

the U.K. oil and gas industry, introduces CRINE Network and its goals to mobilise the 1996 industry prop competitiveness: speed, relationships and people.
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FEBRUARY 26 Pensions & Long Term Care -Policy Developments and Market Solutions Beyond The Election

Waterhouse and Philip Warland of **AUTIF** this conference features Peter Lilley and Frank Field. Mr Richard Best of the Rownth a discussion on Long Term Care. In a Plender, Edward Leigh and Baroness Turner will debate the policy developments to be expected after the General Election. Price Waterhouse and AUTIF are sponsoring and Pensions World will be ex

Details: Cityforum Ltd Tel: 01225 466744 Fex: 01225 442903 FEBRUARY 26-28

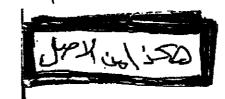
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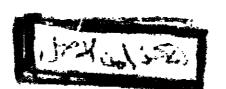
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conference attended by over 600 delegates, Investing in Russia '97 will cover equity and debt markets as well as corporate and institutional direct investment. Eminent government speakers include the Russian Funnce speakers include the Russian Cumming. Minister, Mayor of St Petersburg, Governor of Nizhny Novgorod and Chairman of the State Property Commission. Also featuring worksho on the Ukraine and different indust Contact: Anita Aston.

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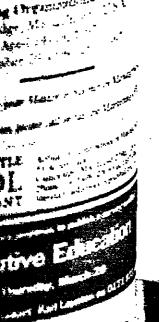
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ADVERTISING / MEDIA

TRADEMARKS

Addison swallows modified goldfish

The great battle of the goldfish is over. The dispute between Addison, a design consultancy, and British Gas over the latter's goldfish logo on its credit cards, has been settled out of court.

Addison has got what it wanted, but the overall issue of trademark infringement remains far from resolved.

The design consultancy argued that its goldfish trademark (below), which it had used for seven years,



was being infringed under the 1994 Trade Mark Act by Goldbrand, the financial services joint venture between British Gas and HFC Bank.

The settlement, for an undisclosed sum, disappointed those who had hoped the case might establish a useful precedent on a difficult issue: who owns the rights to brand images that are similar in design but not wholly identical and which operate in different markets?

Goldbrand agreed to redesign its cards, which are used by 200,000 customers, to eliminate any potential conflict. Wolff Olins, the designers who created the look for Goldbrand, will bear the costs of the modifications.

Finally, and in an unusual move between adversaries, Addison will be retained as a consultant to Goldbrand. Meanwhile, Channel 4, the

broadcaster, is investigating the origin of its new logo of four linked circles after a Westminster University design graduate noticed it bore a similarity to his own work. Watch this space.

Patrick Harverson

The giant who lurks behind a smokescreen

tix, Planet and Icebox, they're hip, they're cool and they're made by a new cigarette manufacturer you've almost certainly never heard of: the Moonlight Tobacco

Company.
But Moonlight Tobacco is not quite the independent upstart it appears. In fact, the name is just a smokescreen for the rather betterknown company behind the new brands. It turns out to be R.J. Reynolds Tobacco, the second biggest cigarette manufacturer in the US.

Moonlight Tobacco takes

its cue from recent events in the US beer market, which has seen a surge in demand for "alternative" beers brewed by small beer companies, or microbreweries. Some big brewers have responded by launching microbrewery-style subbrands: Philip Morris's Miller Brewing subsidiary, for example, has set up a company called Plank Road Brewery, which sells the trendy Red Dog and Icehouse brands.

RJR, maker of old-established brands like Camel, Winston and Salem, says Moonlight Tobacco was inspired by a belief that an unexploited niche existed for "alternative" cigarettes.

It quietly started testmarketing seven Moonlight Tobacco brands in New York City, Chicago and Seattle just over a year ago. Since then, it has added two more

annual report. Instead of using

the document to present themselves to new audiences, compa

nies often direct the annual

UK. While three-quarters of busi-

nesses questioned said the annual

report was an important way of

communicating what they do.

information already.

Richard Tomkins on why senior vice-president for brands: "It's for folks who RJR started an 'alternative' cigarette brand

certain market share with

their big brands, they can

what they are attempting to

specific target marketing."

nasty, American" compa-

nies. "They're trying to say:

We are really not these big

bad guys. We are really just

small entrepreneurs, people

support us because we are

One problem with this

approach is that it appears

to target younger people at a

administration is trying to

smoking. But RJR denies the

younger smokers - or, indeed, at any age group at

hip like you guys are'.'

Ohio: Portland, Oregon; and North Carolina.

The cigarettes themselves are nothing out of the ordinary: they are made in RJR's factories alongside the company's traditional cigarettes. But the packaging, designed by Chicago artist Thomas Van Housen, is quirky and distinctive, as are the names of the cigarettes - B's, Sedona, Politix, Jumbos, Northstar, City, Metro, Planet and Icebox.

The advertising, too, is off-beat. Posters and billboards do not promote individual brands: instead, they feature the Moonlight Tobacco name and slogan against a collage of the package designs. This gives Moonlight Tobacco the flexibility to introduce brands and drop less successful ones, almost at a whim. Moonlight Tobacco is not like you, and you should

expected to produce another hig-selling brand but the point is that a cigarette brand does not have to command a large share of the US market to be profitable. With annual cigarette sales totalling \$47bn (£29bn), even a crack down on underage market share of 0.5 per cent is worth \$235m a year.

Britt Breemer, chairman of America's Research Group, a market research

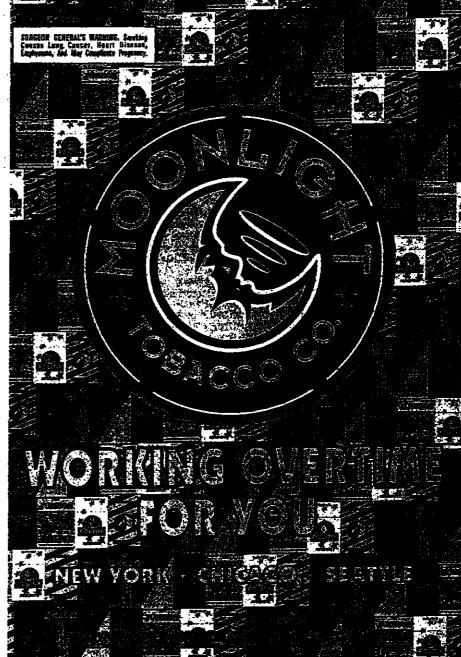
have much more of an alternative, free-spirited lifestyle.
"They don't like the mass

or the mainstream. They like to be different, they like to make a statement about brands, and the testing has company in Charleston, themselves. They are the been extended to Cleveland, South Carolina, says that folks who are more comfortthemselves. They are the once companies achieve a able drinking a microbrew than a Budweiser. There's a level of sophistication with find it extremely difficult to this proposition that I don't think is younger adult at make further gains. "So

> Clearly, RJR is taking a risk by moonlighting as an companies is to pick up an iconoclastic underdog, for extra few points of market share by having much more the ploy could backfire if it were seen as a form of deception. So although RJR's enée Frengut, presi-dent of Market name does not appear in Moonlight Tobacco's adver-Insights, a markettising, the cigarette packs contain leaflets explaining ing consultancy in Bronxville, New York, says Moonlight Tobacco's parent-RJR is aiming the Moonlight age and portraying the com-Tobacco cigarettes at a new pany as a whacky, "indepengeneration of consumers dent" outfit operating under who are looking for alternathe RJR umbrella. tives to products from "big."

Could RJR's example be worth following? Possibly, though RJR will not give any figures, and the project has yet to progress beyond the test-marketing stage. It may also be worth

remembering the cautionary tale of Quaker Oats, another big US company that tried to be trendy by buying the time when the Clinton manufacturer. The customand the acquisition turned into one of the most disascigarettes are aimed at trous in US corporate history - proof positive, it indeed, at any age group at seems, that just wanting to all. Says Cliff Pennell, RJR's be hip is not enough.



The brands could attract those looking to steer clear of 'big, nasty, American' companies

Companies fail in annual reports opportunity: the Alison Smith looks at an oft-missed prime marketing opportunity

a City of London audience in report towards a narrow group that has probably seen the crucial Fewer than three in 10 saw it as This finding comes in a survey marketing opportunity, and less to be published tomorrow in the

than one in 10 saw it as a way of informing employees about the organisation.

The research is likely to fuel research was carried out last a legal requirement." the debate about reforming com-

freedom to publish different reports aimed at various groups, such as customers and staff. Michael Bamilton, managing

order to give busin

partner of design consultancy The Hamiltons, for whom the not produce a report if it were not month, believes the limited use of

six in 10 produced it with just panies' financial reporting in the annual report is a lost oppor-

Companies listed on the alternative investment market, he says, are particularly missing out. "Some of these companies are even saying that they would

More broadly, he says the sur-

between the forms of business promotion most valued by AIM companies and larger, more mature hasiness "It appears that AIM companies

are under the greatest pressure to increase sales, and so attach more importance to promotions and incentives; whereas other compa-

pment and market positioning. promoting their businesses. Three in 10 said direct marketing gave the best value for money. Spend-ing on advertising was top-fixed by under 16 per cent - coming just behind spending on corporate identity (16.1 per cent). Sponsorship scored the lowest rating, being chosen by under

nies are looking for image devel

3 per cent. Corporate Identity and Corpo rate Success. The Hamiltons,

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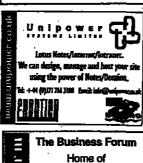
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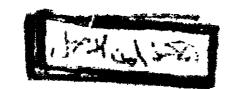
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IN INDONESIA WE PROTECT THE RAINFOREST WITH FISH.

project fish ponds being built in the Irian Jaya rainforc eded, reliable source of incon The ponds require a supply of clean, fresh water. This is only available throughout the year if water-retaining roots of the neighbouring trees are kept intact. Which gave WWF good reason to provide plans and concrete for the ponds, and fish to stock them with. important to motivate by physical example than by just giving advice, WWF agricultural extension workers helped to construct concrete tanks and dig fish ponds. Now an entire community benefits, and rups the fish pond

rly World Wildlife F

SHOAY FLBRUARY



MARKETING / ADVERTISING / MEDIA

The Mirror goes in for a polishing

David Montgomery tells Raymond Snoddy about the tabloid's efforts to win readers

man who is chief executive of the UK's Mirror Group, has recently been seen burrowing among the tabloid's archives. He aims to explode what he sees as a myth that today's Mirror is a pale reflection of what it was under the legendary newspaperman Hugh Cudlipp.

Montgomery, always irritated by the "golden age" comparison, has been particularly needled by it in recent weeks. As a £16m (\$26m) redesign and modernisation plan of the paper has been put in place, sniping by his peers, he feels, has increased. "The club of failed editors, which is growing by the year, has decided there was a golden era for the Daily Mirror under Hugh Cudlipp and it could do no wrong. That is nonsense," says Montgomery, whose first job was on the Daily Mirror 25 years ago, just as that era was ending.

When he dug out old copies recently from the archives, he says he found them thin and trivial. The paper was anarchic in those days, and there was "a culture of booze", he says. Its circulation, with no rivals, may have been 5m - twice today's - but it made no

money, says Montgomery.

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ration His

avid Montgomery, ment made the biggest misthe tough Ulster- take of the century in the newspaper industry, he says, by "giving" The Sun to News International. The Sun had been a Mirror-owned broadsheet - it was subsequently sold to Rupert Murdoch who transformed it into its current tabloid format. The redesign of what is

now called The Mirror has come at a difficult time. In the last six months of 1996, the Daily Mirror's circulation fell 4.96 per cent to 2.533m compared with the same period in 1995 and at the same time that The Sun, with a lower cover price, lost 1.17 per cent of its circulation to 4.02m.

Apart from changing the appearance of The Mirror. and making the front page like a billboard for the stories inside, at least eight extra pages have been added. The editorial budget has been boosted and a number of journalists taken on.

Most of the £16m will come from the £25m which will be saved this year as newsprint prices fall.

The "new" Mirror Will remain a popular newspaper with glamour, entertainment and television soap opera news but will also deal with more weighty matters, particularly consumer issues.

"There is a very important brief to the editor [Piers Morgan], which is that there



The newspapers for which Montgomery is responsible will have to reduce their outgoings to fall in with his belief that less money more efficiently used produces better papers



must be substance on the front page. Somewhere there must be substance - it is a standing instruction," says Montgomery. "The Mirror has always continued to occupy a notch above The Sun and the criticism of its coming down to The Sun's level is simply not justified."

So far the fall in sales has been arrested and Montgomerv claims a modest improvement in the circulation trend against The Sun.

"I don't think people understand that newspapers have a very long life ahead of them but only if they are evolved and improve constantly. You can never let a naner sit there and let the competition take over." For Montgomery, cutting

out duplication has been vital. He has reached an agreement with PA News, the national news agency, to provide The Mirror with complete print-ready regional news and sports pages, leaving Mirror jour-nalists free to concentrate on the larger stories.

Another element is Montgomery's "collegiate"

approach to producing newspapers at lower cost; combine the back office functions, he argues, and compete on editorial, advertising sales and promotion. His responsibilities also include the Sunday Mirror, The People, the Scottish Daily Record and the Sport-

ing Life as well as L!Ve TV.

the cable television channel.

'Newspapers have a very long life ahead of them but only if they are evolved and improve

The collegiate approach has led to savings at The Independent and the Independent on Sunday, which is owned jointly by the Mirror Group and Tony O'Reilly's Independent Newspapers of Ireland. The group's operational losses should be cut to £6m this year.

constantly'

The Mirror is the only core

national newspaper group to be transparent in the way it conducts its business, says Montgomery, and so cannot buy circulation with coverprice cuts. All the others are part of larger groups. "Only the Mirror is completely transparent to be judged on

Exchange and therefore we cannot be reckless in our conduct of this business, says Montgomery. The others have only one tactic - they are prepared to buy market share extravagantly. It is much more challenging to run the Mirror because it is not prepared to

its merits before the Stock

fight a Fleet Street battle which is imprudent in terms of financial management." The Independent and Independent on Sunday, which David Montgomery sees as long-term Mirror investments, are having to stand on their own two feet. Less money more efficiently used can produce better papers, he believes. "It is undeniable that The Independent and

Independent on Sunday, as

edited at the moment, are

much superior newspapers

than they were when they were spending a third more

Apart from trying to improve efficiency and prof-

party last year that Pearson,

lation and market share.

Ad in the News: **Walkers Lites** Sound bites

brand.

and Britain's largest food

However, lower fat prod-

ucts have only a 1 per cent

share of the £2.2bn UK

snack market, Walkers has

looked to the US where

lower fat snacks have a 21

per cent share, and has

been prepared to back its

hunch by investing £10m

on a new production line

and £5m on the launch

If anyone is going to

crack the lower fat market

then Walkers might and

Lineker's role in the

brand's success cannot be

underestimated. It has been

no mean feat, given that he

is not a professionally-

trained actor. Since being

chosen on the strength of

both his Leicester roots

(Walkers is a Leicester-

based company) and his

nice guy image, his acting

He has been seen as a

has improved enormously.

nun, a rocker, and Scrooge

acting alongside Paul Gas-

coigne, Jonsson, and a host

of children. He has become

one of the more malleable

advertising celebrities,

comparable with Nicholas

Lyndhurst for W.H. Smith.

The good news for Walk-

ers is that neither Lineker

nor the public shows any

sign of being bored with

the campaign.

advertising.

The British tabloids have series. Since the ads began clamoured for stories about in 1995 Walkers has become the excellent series of a £500m turnover business Walkers commercials starring Gary Lineker. However, it is not Lineker they're interested in this time - it is his glamorous co-star, Gladiators preenter Ulrika Jonsson. The beautiful, blonde Jonsson with her very public private life, is perfect tabloid

BMP DDB. Walkers' dvertising agency, cleverly plays on this interest by concocting a scenario in which she uses her charms to tempt the "goody goody" Lineker out of a party and into her room. Eating crisps seductively, it looks like she is going to get Lineker into bed, but he reveals that he is only interested in Jonsson because of her Walkers crisps. Swapping a pack for some tissues, he struggles

What makes the ad really mecial is that it is shot in a moody black and white. redolent of the films of the Swedish stage and film director, Ingmar Bergman. Even the dialogue is Swedish, with English subtitles flashed up at the bottom of the screen. And just in case you don't get the joke, the pair are dressed in Jonsson's native Swedish costume. Lineker's outfit comes complete with period

The ad looks set to emulate the success of its predecessors in the "No More

Stefano Hatfield The author is editor of



Gary Lineker only wants Ulrika Jonsson's crisps

Tim Jackson

Net calls could take their toll

to be launched that will change the competitive landscape of telecommunications forever. It will be the first widely available service to carry toll-quality calls over the Internet. In doing so, it will cut sharply the costs of long-distance and international calls,

and put powerful pressure on many leading telephone companies. Some readers who know about Internet telephony may think they have heard this news before. So it might

help to clarify: this is not a technical experiment by enthusiasts. It is not a service that relies on either the caller or the recipient of the call having a PC to hand. Nor is it a service that compensates for bargain prices with crummy voice quality and unreliable connections. Instead, it is a standard phone service, offered between the US and Colombia, by RSL Communications, one of the leading vendors of telephone calling cards in the US.

The technical side of the service is being handled by Delta Three, a small Israeli technology company. Last year, it developed a gateway system allowing voice calls over the public phone network to be converted into a stream of digits, turned into packets, sent over the Internet to another computer, decoded back to voices, and finally popped back into the public network by the computer.

Delta Three used this technology last autumn to offer a pioneering phone service between Jerusalem and St Petersburg. The service was used by Russian immigrants to Israel calling their family back in the old country. It was rudimentary, hard to use and the sound quality was appalling.

Three months ago. Delta Three looked like just one of many tiny new companies that hoped to get into the Israeli company in which it agreed to

stymied by its lack of credibility, and its shortage of marketing power in an industry whose largest companies routinely spend hundreds of millions of

dollars each year on advertising. And without a telco-sized bank balance, it was unable to offer national access to its services in countries like the US or Britain, using a free 800 number or a network short code.

After that trial. Delta Three changed tack. Instead of trying just to sell its services to callers, it began to knock on the doors of phone companies,

The first widely available toll-quality calls over the Net will cut costs

sharply and put powerful pressure on many phone companies

offering to deliver bulk traffic for them at lower prices than the cheapest current networks. It would do this by "co-locating" equipment in their offices, which would do all the to-ing and fro-ing on the Internet without requiring the phone companies to

worry about the details. Most telcos looked this gift horse straight in the mouth. They refused to deal with Delta Three.

RSL Communications was different. It looked at the technology and realised that Internet telephony could help it to compete on the hyper-competitive route between the US and Colombia, where callers tend to be Latino immigrants to the US anxious to call home but very short of money. And if the system failed, it had little to

RSL struck a deal with the tiny quaking in my boots.

buy 1m call minutes every month on this route, with a minimum commitment of 15 months, and a right to first refusal over the next dozen or more routes on which Delta Three starts to offer Internet telephony.

The deal made perfect sense to both sides. To RSL, it provided a secret weapon in the calling-card price wars - secret until now, at least. To Delta Three, it guaranteed cashflow of several million dollars over the contract period, plus the confidence to start installing its Internet telephony equipment on other routes.

There was just one problem. Delta Three did not have an office in Colombia or own any equipment there. So it signed a deal with a company in Bogota that held the Colombian licence for CompuServe.

The company agreed to find a home for Delta Three's equipment and to provide the outgoing phone lines and modems needed to take calls off the Internet and forward them into the

To avoid the uncertainties of dealing with Colombia's public Internet connections, the system uses leased lines provided by Concert, the joint venture between MCI of the US and British Telecommunications, to hook the system directly into the Internet in the US. The result, according to Jacob Davidson, Delta Three's chief executive, is that the call quality is better than a satellite phone connection, and comparable to a telephone land line.

Meanwhile, Delta Three still hopes to become a branded telco in its own right. It has launched a calling card for Israeli visitors to New York, charging one-fifth of its lowest competitor's prices. And the international rollout is ready to begin with Sao Paolo, Moscow, Tokyo and London. If I were a phone company, I'd be

European countries, aimed

at explaining national tax

refund systems and outlin-

ing a step-by-step procedure

for claiming refunds. There

will soon be a Japanese lan-

Details of an upcoming

conference, "Doing Business

in Ireland", which takes

place in Dublin on February

19 and 20, and registration

form, are at www.ibc-uk.

com/cont/DS1230/index.html

guage version.

tim.jackson@pobox.com

on resources," he says.

its, the question of the Mirror group's future (market capitalisation £880m), in a world increasingly dominated by international multimedia groups, remains. A suggestion by a third

owner of the Financial Times, should take over the group, with Montgomery as chief executive of the combined business, was not taken up by Pearson. A merger between Carlton Communications and the Mirror Group also got nowhere. Michael Green Carlton chairman, made it clear he would not pay a premium for the group and there would be no place for Montgomery in a takeover.

Montgomery still believes The Mirror could be more valuable inside a larger media group. "But they have to be the right partner," he says as he continues his never-ending battle for circu-

If you don't think about the best ways to build roads now, you'll have





 Britain's longestestablished horse racing newspaper. The Sporting Life, has joined forces with national wire service the Press Association to provide information service on the some of the more detailed Internet".

life.com) will offer a live City news and results service for city.com) bills itself as "The major sports such as soccer, Investor's Supersite on the to tax-free shopping in 20

rugby and cricket as well as Web", and offers a range of horse racing, while tapping into the potential market for online betting. The Sporting Life said the

site represented "the first stage of what will develop into the biggest and best interactive sports and betting site in the world". The site is efficiently laid

out and takes users straight to a comprehensive headline digest, although you what they describe as "the have to register for a free ultimate betting and sports trial membership to read

The site (www.sporting- • Telescan's Wall Street to other useful sites.

both free and premium services targeted at the small investor or stockwatcher; including an introductory guide to US markets, bow to identify investment opportunities and how to learn the mechanics of trading. FISH (unuv.fish.com.sq) −

the Financial Interactive Services Hub - is a pretty comprehensive information source for tracking the Malaysia and Singapore markets. It gives regional indices. live quotes, gainers and losers, as well as good links

(www.wallstreet- • Tax-Free International (www.taxfree.se) is a guide

Financial Times on • the World Wide Web... www.ft.com , 🕝 Updated daily

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Heathrow airport may be shabby, but most customers are satisfied, finds Michael Skapinker

eceptive appearance to be at least one moving walkway out of order at London's Heathrow airport.

chief executive of BAA, the owner of Heathrow, why this should be, he said it was because so many people used But help was at hand, he said. BAA was empowering its engineers to fix the walkways as they broke down. The night I arrived to catch

a flight, the engineers had

apparently used their new

When I asked Sir John Egan,

empowerment to go to the Not only was there a dysfunctional walkway, there was also something unpleasant smeared on the ground outside the airport's third terminal. The check-in area was strewn with litter, while the gents' toilets were

needed replacing. The lines of passengers waiting to have their hand luggage X-rayed were long because only a few security machines were in use. The carpet in the security area

flooded and the hand towels

A short distance away, however, on the other side of nothing. the machines, we could see a glittering world of plenty. Swatch and Burberry signs twinkled at us from Heathrow's shops, like a glimpse of cold war West Berlin from the wrong side of the Wall. I am not the only one to have noticed the contrast

Sir Terence Conran, the retailer and restaurateur. wrote in The Independent newspaper last year of a visit to Heathrow's terminal one: "All is glossy and new, clean and tidy in the shopping areas; in the walkways and the departure lounge, however, it's an altogether different story. They are fitted with stained, worn-out carpet held together with odd lengths of black tape, patched plastic tiles, odd wires hanging all over the place, broken chairs with their stuffing hanging out, cigarette burns on table tops, rubbish on the floors. The check-in desks are falling to pieces. Even a third world country would feel disgraced by the squalor and

Before boarding my flight from terminal three, I filled in a complaints card and posted it in one of the boxes BAA has put up around the airport. That was over two months ago. I have heard

Des Wilson, the veteran radical activist who now heads BAA's public relations effort, agreed it was unacceptable that I had had no response. But he strongly contested my view that Heathrow was in danger of becoming a slum. Heathbetween the public areas and row's 56m passengers did not



BAA's research director. Before meeting Maiden at

Heathrow, I wandered around the terminals. Two moving walkways were out of order, although the empowered engineers were hacking away at one of Terminal one's public

areas were bright and clean;

terminal two, largely because it is the oldest, was dark and gloomy; and terminal three still looked shabby. Did my complaints, I asked Maiden, really make me one in 56m - or two in 56m, counting Sir Terence?

ent me to see Stan Maiden, Not quite, he said. Heathrow attracts its share of complaints and tries to act on them. BAA is investing £1m (\$1.6m) a day at Heathrow. and its managers' pay is partly tied to what passengers say about the sirport.

To find out what they think, BAA did a lot of market research, Malden said. If its activities in this area were a stand-alone operation, BAA would be one of the top 20 market research companies in the UK.

BAA's most basic customer feedback comes from the complaint and comment

row receives about 7,000 complaints a year. The airport's policy, which broke down in my case, is to reply to all of them. Heathrow also receives compliments on the cards, but people were more likely to complain, said Maiden, "as in any other

e uses the cards to identify clusters of complaints, such as a shortage of luggage trolleys or long lines in the security area. The cards are an unsatisfactory form of feedback however, because they rely on passengers taking the trouble to fill them in.

In addition to reading the cards, BAA interviews 26,000 Heathrow customers a year in a range of languages. They are asked to rate everything from flight announce ments to public telephones on a scale of one to five. where five is excellent and one is very poor.

He showed me some recent results, which had the airport receiving a score of four in many areas and over 8.5 in almost all. One of the few areas scor-

ing below 3.5 was passengers' perception of the distances they had to walk in the airport. Smokers gave smoking facilities in one part of the airport a mark of judged the same arrange-ment a 3.7. And Heathrow would rather satisfy the non-smokers? "Well, there are more of them," Maiden said. A fairly creditable performance, if BAA's methodology is sound. Maiden insisted it was. Brussels and

BAA to implement its survey methods there. The group also carries out market research on specific areas, such as whether customers prefer lifts or escalafors. Which do they prefer? "It rather depends on their

age," Maiden said. BAA also asks passengers to compare Heathrow with other airports. This gives Heathrow an opportunity to compare itself with competitors such as Amsterdam's Schiphol and Singapore's Changi.

On issues such as availability of trolleys and flight information, Heathrow is somewhere in the middle, below Schiphol and Changi, but above both Paris airports and New York's JFK. Heathrow's cleanliness is rated average, as is seat availability in departure lounges. Heathrow's catering, shops and the attitude of security staff all receive high international ratings.

The least critical Heathrow customers are elderly American and British passengers who travel infrequently. And the most critical? "Regular British business travellers," Malden said through clenched teeth.

A better view of the skies

wary of the antiquated air traffic control system at Chicago's O'Hare airport, Vienna airports have asked the world's busiest, can breathe easily once more; Amon Cohen writes.

On January 16, the US Federal Aviation Administration inaugurated a new air traffic control system. The new computer, known as a Display Channel Complex Rehost, finally gives Chicago a modern, reliable system to generate radar displays and other critical flight information.

This page reported a year ago on the worsening record of Chicago's traffic control computer, a punch card-fed mainframe called the 9020E that International Business Machines stopped making in the mid-1970s. The vacuum tubes that powered the 9020E are no longer made in the US. The FAA, which operates US air traffic control, was obliged to import them from eastern Europe. In 1995, President Bill Clinton vowed rapid action after the 9020E experienced no fewer than six "crashes"

(or "outages", as they are known in American) in one year. The system was down for a total of 325.6 hours in 1995 and 333 hours in 1996. For the most part, such crashes have caused nothing more serious than delays to

usiness travellers aircraft. But on one occasion, the back-up compa also failed, leaving air traffic controllers unable to monitor the skies for 11 minutes. One aircraft already airborne had to take evasive action. A further 100 aircraft were delayed on the ground.

The FAA claims the new system will consign such problems to the past. It has 16 times as much memory as its predecessor, is five times faster - but only a tenth of the size. The 9020E was as large as a house.

Similar new air traffic systems have been delivered to flight control centres in New York, Cleveland, Washington and Fort Worth, all of which had suffered prob

Ironically, because there was such a long delay in computer will be in operation for little more than a year: it is due to be replaced in late-1998. • British Airways is to

begin installing new computer software which-will enable it to provide frequent travellers with their favour ite food and magazines, Michael Skapinker writes. BA says the new software system, provided by Industri-Matematik of Sweden, will be able to relay customer information to 160 airports worldwide.

From the very

beginning in 1947, a

pioneering spirit and advanced

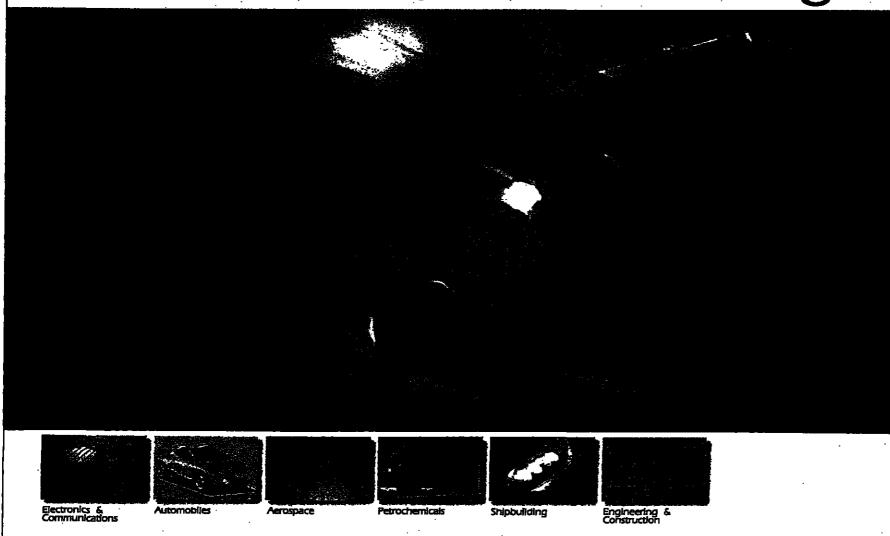
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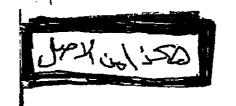




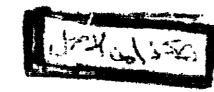
technology have been hallmarks of the Hyundal Business Group. Building on 50 years of success, Hyundai will further provide greater value to our customers in every continent on our planet. Through realization of Value-based Management, Hyundai will focus on enhancing the quality of life for all and cultivating innovative technologies.

Today, Hyundai produces diverse innovative products 'From Chips To Ships. And our pioneering spirit has made us one of the world's most influential business groups with over US\$90 billion in sales. But more important than where we are is where we're going. Together, we're synergizing technologies from every field we do business in as we head for the next frontier - spir Now, a synergy born of diversity and expe earned through growth are preparing us the next leap forward - and upward.

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PARIS



printmaking, it shows how most early prints were designed to tell a story or teach a morel. Works by

COPENHAGEN Some of the most significant recent discoveries by ... archaeologists in China go on show on Friday at the Louislana Museum of Modern Art, Humlebaek: The exhibition ranges from the neolithic age to the Han period (5000 BC - 220 AD), and includes objects made in terracotta, caramics, jade, bronze and silk AMSTERDAM

Mirror of everyday life", opening at the Rijksmuseum on Salurday, is an exhibition of 18th and 17th century genre prints from the Netherlands. Starting with curtainraisers from the very start of

Lucas van Leyden, Bruegel and Rembrandi are included.

opening at the Palais Germier on Friday, is one of the most eageny awaited events of the Paris opera season: the main question is whether the stylised Rage pictures of American director Bob Wilson (right) will provide a suitable metch for Debussy's music. The cast is headed by Susanne Mentzer, Russell Braun and José van Dam, and

Pelléas et Mélisande,

the conductor is James Conion. The production can also be seen at this summer's Salzburg fastival, with Ufferent cast and conductor.

The Maly Drama Theatre of St Petersburg opens at the Odéon-Théâtre de l'Europe on Thursday in its director Lev Dodin's two-part adaptation of Abramov's Frères et Sosurs.

ARTS

The director David Pountney, still best known for his work in opera, returns to the Nottingham Playhouse to direct As You Like It The production opens on Friday and is a sequel to his staging of

Twelfth Night there two

years ago.

NOTTINGHAM

A retrospective of the 60-year career of British architect Denys Lasdun opens at the Royal Academy of Arts on Thursday, it traces the ups and downs of Lasdun's reputation in critical and public favour, with reference to seven key projects, including the National Theatre (below). A parallel exhibition focuses on recent work by British

abstract artist Gillian Ayres. The American New-Age comic ventriloquist David Strassman opens on Wednesday at the Apollo Theatre.



LONDON

NEW YORK 19th and 20th century sculpture will be on view at the Guggenhekm Museum for the next three months The exhibition, which opens on Friday, is drawn fro the Nasher Collection and ranges from the pioneering work of Gauguin and Rodin to Cragg, Oldenburg. Picasso (right) and

lmman 🗮

the same of the case of the ca them on successive evenings instead), but by the end we had an uncommonly lucid view of the whole epic.

For it is an epic, of course; it presents people of all conditions in rich, sympathetic detail amid that only it is constant. TPLES .

THOS: the feeties But Live making in LACTED AND IN

でも多くなご問題

- J. 1782

ince October the English Touring Theatre has been playing Shakespeare's Henry IV - both parts - all

the state of reign of Henry IV approaches its end. Stephen Unwin's staging is even-handed with all the characeven-nanoeu what are that epic ters, thus displaying that epic ters, thus unspinations than letting Hal Grand and Falstaff dominate the play and raised toway, is much betwhich, by the may, set modern Shakespeare productions.

Scene follows scene swiftly in Pamela Howard's plain, practical sets, but we are never in danger and the multiple plots. (Artful lighting by Paule Constable; Corin Buckeridge supplies eclectic, effective # Array music.) Even the least characters convey personalities, and all the doubling has not tempted the actors into cartoon caricatures.

There is, indeed, a certain austerity about the principal players. Timothy West's Falstaff is not a At the control rollicking, larger-than-life rascal though he boasts a proper Falstaffian girth, and carries it very well). Rather, he is urbane and precise of speech, delicate in gesture consciously unscrupulous, faintly sheepish when caught out, with occasional gleams of malice. At the Prince's final rejection there is no miserable

A selling point of this producgreenstick Hal is the real-life son of Timothy, but whether that makes any difference is left to the audience's imagination. He and Palstaff play gracefully to one another, perhaps too easily: this cool, shy Prince never seems quite enamoured enough of the old scapegrace to feel much remorse about throwing him off at the end. Hal's "I know thee not, old man" is measured and distant, neither shocking nor sug-

gestive of any torn loyalty. But young West's Hal develops nicely as the play progresses, shaped more by his painful relation to his stage father than his cautious flirtation with low-life. He rises to earnest sobriety in the last scenes; not a Henry V yet, but one begins to see the possibility in him. Gary Waldhorn plays the stern, disappointed old King on one note, but that sonorously commanding.

There is an electrical Hotspur from Paterson Joseph, whom you



David Murray on a satisfying production of Henry IV

An epic performance

might remember as the haughty, narcissistic Marquis de Carabas in BBC-TV's Neverwhere. Here he is all frantic energy, chafing to be let loose and explode. If his performance breaks through the decorous conventions observed by everyone else, that works splendidly: Hotspur is a wild, charismatic spirit, a loose cannon. As his wife, Lucy Briers is as clever and interesting as her fierce little

Doll Tearsheet in Part 2. There, Joseph returns to play Pistol as a dreadlocked Caribbean wild man: in theory rather a promising idea (fustian in Jamaican, so to speak), but unfortunately we understand hardly a

word he utters: Joseph O'Conor is first a strong, wracked Northumberland, Hotspur's father, and later a wholly delightful, notquite-senile Justice Shallow in

his Gloucestershire orchard. The London low-lifers are strictly modern, with Nicolas Tennant making Poins both tough and subtle, and Albie Woodington a hairy, creepy Bardolph. Paul Imbusch plays two bland upper-crust men admirably, first Sir Walter Blunt (on the King's side) and then the Archbishop of York (among the rebels), just as Ian Flintoff covers two hard-nosed, man-of the-world

Chief Justice. Mary McLeod's Mistress Quickly is serenely

Still, what we watch and remember is the whole play, to which all these ingenious performances contribute, without maktop noisy splashes of their own (well, except Joseph's astonishing Hotspur). Leisurely it may be (Part 2 takes some time to gather strength), but finally very satisfying, innocent of flash tricks or bizarre new readings. I liked it very much.

At the Old Vic until February 22, and afterwards at the Theatre Royal, Bath.

Band with a voice of its own

Ireland's national orchestra is at last gaining an international reputation, writes Antony Thorncroft

had been using inexpensive east

phony Orchestra of the discount classical label which Ireland, the republic's leading classical orchestra, makes its first London appearance for 14 years at the Royal Festival Hall this month. It is part of a short UK tour which also takes in Glasgow and Edinburgh, and it is a deliberate declaration that Ireland now thinks it has a symphony orchestra that can compete with its rivals on the Celtic fringe, in Wales and Scotland.

lt is perhaps ireland's great musical tradition which has held back orchestral music there. Traditional folk musicians have always attracted prestige and popular adulation. In recent years Irish pop - U2, Cranberries, Sinead O'Connor - has conquered the world. Then came Ireland's astonishing run of success in that despised heartland of popular music, the Eurovision Song Contest. It has to be a dedicated young musician who stuck with the classical repertoire against all these commercial alternatives.

But such musicians are at last coming through. Ireland's symphony orchestra has always been under the wing of RTE, the Irish broadcasting service. It created the orchestra 50 years ago and still meets its annual costs of £5.5m, which includes a smaller concert orchestra. As a minor part of the dominant official voice of Ireland the orchestra was slow to assert itself - it slipped into the easy life of a hroadcasting orchestra.

European orchestras to build up its repertoire, was looking for alternative sources of music. The NSO was ideal - competent but cheap. RTE was quite willing to let the needy musicians take the fees, waiving any royalty rights.

It was also not very Irish. Refugees, who fled to Ireland from eastern Europe immediately after the war, made up half the playing strength and instilled it with the romantic, emotional, sound that it still possesses. The orchestra has had its moments but generally failed to make much impact on the international

Now that is changing. In 1990 Cathal MacCabe, head of music at RTF, was given control of the orchestra. Five years ago he bumped up the playing strength from 70 to 93 and changed the name from the prosaic RTE Symphony Orchestra to the more prestigious National Symphony Orchestra. He then set about raising its standards and its image. The first task was to secure a recording concert: CDs give an.

orchestra status and bring it to

the attention of overseas musical

Now the NSO has produced over 50 CDs for Naxos, the biggest classical music label in the UK. On the back of the CDs the

tours started first to Germany. then Hong Kong, now the UK, with the continent of Europe. North America and the Far East already scheduled before 2000.

> Ironically it was Ireland's great musical tradition which held back orchestral music

finance the travelling. It has suddenly come to appreciate its orchestra, jolted by the report of a committee which last year recommended that the NSO be divorced from the broadcasting company and funded through the Irish Arts Council This sugges. tion may be quietly forgotten: no government is looking for addi-

tional cost centres. So RTE is starting to promote its orchestra and to bask in its undoubted improvement. While it was in the doldroms it was hard to attract the top conductors. But two years ago it secured a rising recent work, the NSO's playing star as its principal conductor, the Dutchman Kasper de Roo,

he National Sym- agents. Quite by chance Naxos. Innsbruck He seems an inspired choice: young enough to have style: solid enough to curb the players' exuberance. Their performance of Shostakovich's 5th symphony last week was bravura in

> The players, too, are changing. Retirement is culling the east Europeans; their replacements are mainly Irish and British. They are still poorly paid (some earn only £11,000 a year) but such is the flow of good young players, and the attractions of living in Dublin, that there is no shortage of applicants for any vacancy. The NSO does, however, face unusual competition from the other Irish musical traditions: it recently lost its percussion section to the lucrative pull of Riv-

> MacCabe is gently detaching the orchestra from RTE, partly through touring, partly through hiring it out for recordings and freelance work. Most of its concerts are still broadcast, but it also plays for the Wexford Festival and for the short opera seasons which Opera Ireland mounts in Dublin. His ambition is to develop opera in Ireland - an artform with more audience potential than classical music but weefully provided at the moment.

The chances of Dublin having its proposed opera house within the next decade seem remote, but MacCabe is a fan of arena-opera and is quite happy for the NSO play with Opera Ireland, and visiting companies, at the Point, the 6.000-seater stadium on the edge of Dublin.

This passion for opera could have happy consequences. Almost by chance, in the second half of the 19th century, popular British opera was dominated by Irish composers, notably Joyce and Balfe, whose works like Mar-itana and The Bohemian Girl, along with Benedict's Lily of Killarney, were the hits of the age. The NSO is well placed to revive this repertoire in performance it has already recorded Maritana for Naxos - and indeed is doing so later this year.

For its London programme on February 18 it is playing safe, with one eye on the fickle box office - offering Stravinsky's flamboyant Firebird and Ravel. It is a great gamble taking on the Festival Hall but, judging by its should prove more than a novelty to London's discerning but who is also music director at satisfied orchestral audience

INTERNATIONAL

■ AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-6718345 Nederlands Philharmonisch Orkest: with conductor George Pehlivanian and planist Peter Jabionski perform works by Szymanowski, Rachmaninov, Paganini and Stravinsky; 8.15pm;

EXHIBITION Beurs van Berlage tentoonstellingen Tel: 31-20-530

 Bakeliet 2000 X: exhibition of 2,000 bakelite objects from the collection of Frits Becht locusing on the use and design of the synthetic developed in 1930s. Belgium; to Feb 9

BARCELONA

EXHIBITION Fundació Antoni Taples Tel: 34-3-4870315 Ana Mendieta: retrospective of work by the Cuban artist whose

installations and sculptural pieces examined the female body and its perception as both a passive victim of crime and violation and as a sacred myth. Given the ephemeral nature of much of Mendieta's work, the exhibition largely consists of film and photographic material, although three of her installations have been recreated; to Mar 30

■ BERLIN **OPERA**

Deutsche Oper Berlin Tel: 49-30-3438401 Martha oder Der Markt zu Richmond: by von Flotow. Conducted by Sebastian Lang-Lessing, performed by the Deutsche Oper Berlin. Soloists include Amanda Halgrimson and Clemens Bieber, 7.30pm; Feb 4, 7

BREMEN

EXHIBITION Neues Museum Weserburg Tel: 49-421-598390

 In vollkommener Freiheit ... Painting for Themselves: Late Works: exhibition featuring late works by four artists; Picasso (who is represented with pieces dating from 1967-1972), Miro (pieces from 1973-78), Guston (1973-79) and De Kooning (1981-88); to Feb 7

BRUSSELS

CONCERT Palais des Beaux-Arts Tel: 32-2-5078200 (Concerts) Orchestre National de Belgique: with conductor Yuri Simonov and trumpeter Ole Edvard Antonsen perform works by Bach, Hummel, Haydn and Schubert; 8pm; Feb 4

roles, Worcester and the Lord

■ CHICAGO EXHIBITION

Museum of Conte Tel: 1-312-280-2660 Art in Chicago, 1945-1995: exhibition presenting a historical survey of the art made in Chicago in the years 1945-1995. The exhibition features about 150 works by 135 artists in all media and includes a display of documentary and archival information covering film and video, performance, audio and computer-assisted arts; to Mar 16

Civic Opera House & Civic Theatre Tel: 1-312-332-2244 Turandot: by Puccini. Conducted by Bruno Bartoletti, performed by the Lyric Opera of Chicago. Soloists include Gabriele Schnaut, Ben Heppner and Kallen Esperian; 7.30pm; Feb 4, 7

■ FRANKFURT

CONCERT Alte Oper Tel: 49-69-1340400 • The Südfunk-Chor Stuttgart: conducted by Dominique My perform works by Jörg Birkenkötter, Beat Furrer, Michael Jamel and Wolfgang Rihm. Part of the Ensemble Modern series; 8pm; Feb 4

HAMBURG EXHIBITION

Museum für Kunst und Gewerbe Tel: 49-40-24862732 Von Jeglicher Art und Kunst, Stücke in Gold und Silber Herzustellen: exhibition of the work of goldsmith Thomas Schleede and his apprentices. Schleede is one of the few remaining smiths still using traditional means of production: to Mar 2

■ LONDON

EXHIBITION National Portrait Gallery Tel: 44-171-3060055 Ignatius Sancho (1729-1780): exhibition examining the remarkable life of Sancho, who was born a slave yet died a well-known and respected figure in London's literary, artistic and musical circles. The exhibition also places \$ancho within the wider context of the black presence in the late 1800s; to

May 11 Royal Academy of Arts Tel: 44-171-4397438 Denys Lasdun: this exhibition takes the form of a critical review of Denys Lasdun's

distinctive contribution to the Modern Movement in British architecture. Examples from throughout Lasduns' career are featured and the exhibition aims to present architecture to a wider public in an innovative and dramatic way; from Feb 6 to Mar 16

LOS ANGELES EXHIBITION

The J. Paul Getty Museum Tel:

1-310-459-7611 The Eye of Sam Wagstaff: exhibition paying tribute to the pioneering photography collector Sam Wagstaff, featuring a number of Items from his remarkable collection which forms a cornerstone of the museum's holdings; to Apr 6

■ NEW YORK EXHIBITION

Museum of the City of New York Tel: 1-212-534-1672 The Streets and Beyond: New York Photographs, 1900-1960: exhibition featuring 70 recently acquired works chronicling street life in New York. Photographers include Berenice Abbott, Robert Bracklow, Harold Feinstein. Rudolph Simmon and Hans Voot: from Feb 5 to Jun 8

OPERA Metropolitan Opera House Tel: 1-212-362-6000 Cavallería Rusticana: by Mascagni. Conducted by Simone Young, performed by the Metropolitan Opera. Soloists include Barbara Dever, Kristjan Johannsson, Diana Soviero and Johan Bohta. The programme

also includes a performance of

Pagliacci by Leoncavallo; 8pm;

PARIS

Feb 5

CONCERT Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50 Alban Berg Quartet: perform works by Schubert. Part

of the Schubertiade; 8.30pm;

TURIN OPERA

Teatro Regio Tel: 39-11-88151 Boris Godunov: by Mussorgsky. Conducted by Dietiried Bernet, performed by the Orchestra and Coro del Teatro Regio. Soloists include Anatoli Kotscherga, Claudia Nicole Bandera and Pierre Lefebyre; 8,30pm; Feb 4, 7

■ VIENNA DANCE

Wiener Staatsoper Tel: 43-1-514442960 Romeo and Juliet: choreographed by Cranko to music by Prokoflev and performed by the Ballet of the Wiener Staatsoper; 7.30pm; Feb

WASHINGTON

JAZZ & BLUES Warner Theatre Tel: 1-202-783-4000 Lincoln Center Jazz Orchestra; with Wynton Marsalis, Jon Hendricks and Cassandra Wilson perform Marsalis' "Blood on the Fields"; 7.30pm; Feb 5

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·LETTERS TO THE EDITOR-

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COMMENT & ANALYSIS

South Koreans feel their country is collapsing, says John Burton

At boiling point

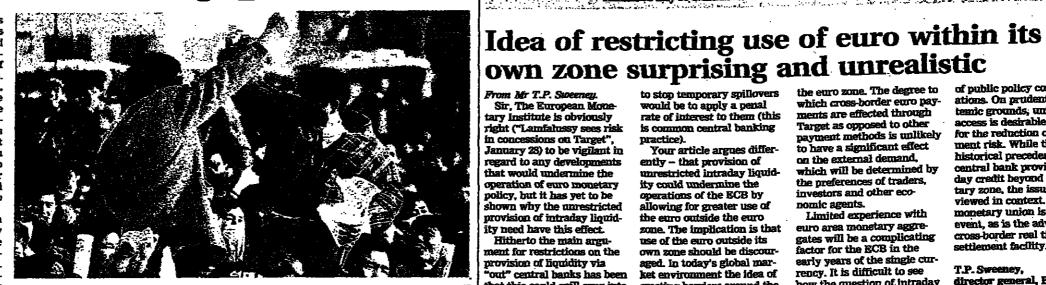
Ms Lee Soo-mi toils 12 hours a day selling newspapers and hot cakes from a stand made of wood and corrugated metal along one of Seoul's main thoroughfares. Like other South Koreans. she feels bitter about the bankruptcy last week of the Hanbo steel and construction group amid allegations that it bribed government officials to gain almost \$6bn (£3.7bn) in bank loans. "No matter how hard I work or honest I am, I feel betrayed when something like Hanbo happens," she says.

In the past month, South Korea has been overtaken by gloom as a result of the Hanbo collapse and widespread industrial strikes. The events have been particularly painful, coming shortly after the country celebrated its entry into the Organisation for Economic Co-operation and Development - supposedly a sign that it had graduated to the league of advanced industrial nations

Now South Korea is beset with problems that have dashed public expectations of economic and political progress. "It feels like the whole country is suddenly falling apart," says a Korean

Recent events are feeding public resentment against the government and big business. Despite being the main engines of rapid economic growth, the conglomerates, or chaebols, have never been popular. Their rise is linked to their sometimes corrupt collaboration with the former military dictatorship. The chaebols' economic dominance and easy access to capital have stunted the growth of small and medium-sized busi-

The loan scandal involving Hanbo and its owner. Mr Chung Tai-soo, appears to confirm the public belief that little has changed under the present civilian adminis tration. "For ordinary citizens, who have trouble borrowing a modest Won5m (£3,600) from banks - onemillionth of the insolvent firm's [Hanbo's] debt -Chung Tai-soo is almost a



Hand-to-hand combat: workers raise their fists and shout anti-government slogans in Seoul

comment of Mr Park Moo- country's Confucian social jung, city editor of the Korea Times newspaper.

Public frustration over the Hanbo affair is likely to increase, particularly if the government engages in a cover-up. Almost two-thirds of South Koreans believe that will happen, according to an opinion poll, because of allegations connecting the Hanbo group to senior ruling party officials and even to one of President Kim Youngsam's sons.

The president's unpopular. lame-duck administration – Mr Kim is preoccupied with choosing a protégé as his successor for the presidential elections next December appears unable to address the country's woes. Mr Kim's approval rating has fallen below 20 per cent,

according to opinion polls. "He was good three or four years ago, but not now." says a middle-aged restaurant manager, who believes Mr Kim's early attempts at political reform have been undermined by an authoritarian streak.

A recent dispute over a controversial labour law crystallised public insecurity over the changes South Korea is encountering as it tries to open its protected economy. The inefficiencies of state-guided capitalism

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superstar," was the sarcastic are being exposed, while the

consensus has been frayed. The new law, designed to promote labour market flexibility, threatens a tradition of lifelong employment by making it easier to sack workers. It also represents the end of an almost feudalistic arrangement under which workers are strongly loyal to their company in return for job security and generous benefits.

Outside the world of work, there is no social security net. "To lose your job is to lose your life," says one union leader.

"I no longer feel I belong to my company, because my future is now subject to the whims of my employer.' says Mr Park II-chu, a car components worker. Last month he joined striking workers staging mass protests in Seoul against the labour law.

The anger over the labour law that erupted into violent demonstrations street reflects the Korean concept of han - simmering resentment or frustration over unjust treatment. Koreans do not easily forgive slights to their personal or national pride and are not embarrassed about giving vent to their feelings.

They fear recent troubles may be symptomatic of a deeply resentful."

retreat from recent economic and political gains. Workers complain they will soon have to accept worse job conditions, similar to those endured 10 years ago when they laboured long hours under tough management.

The government's decision in late December to force the labour law through in a secret dawn session of par liament has raised public concerns that the transition from military dictatorship to democracy is faltering. "It proves that, whoever is the president, we still live under an authoritarian system,

says one Seoul taxi driver. Few believe recent events will lead to the explosion of popular revolts that challenged the government in 1960, 1980 and 1987, bringing down two presidents. "Koreans are more mature and much richer than they were 10 years ago," says a foreign ministry official.

"They want stability " But others are not so sanguine, fearing a push to a more market-oriented economy could fuel disorder by widening the gap between classes. "Koreans are highly egalitarian," says a manag Markets discounting 'narrow' emu with Hyundai, one of the nation's largest conglomerates. "We want to get rich together or poor together. Otherwise, we ресоше

Sir, The European Mone-tary Institute is obviously would be to apply a penal rate of interest to them (this right ("Lamfalussy sees risk is common central banking in concessions on Target", practice). January 28) to be vigilant in Your article argues differregard to any developments ently – that provision of that would undermine the

ity could undermine the operations of the ECB by allowing for greater use of the euro outside the euro use of the euro outside its out" central banks has been that this could spill over into euro area is surprising and surely unrealistic.

If successful, the euro will be widely demanded outside

unrestricted intraday liquidzone. The implication is that own zone should be discourged. In today's global market environment the idea of erecting barriers around the

ments are effected through Target as opposed to other ayment methods is unlikely to have a significant effect on the external demand, which will be determined by the preferences of traders,

nomic agents. Limited experience with euro area monetary aggrefactor for the ECB in the rency. It is difficult to see liquidity is of any material significance for this issue.

Decisions on Target access should be taken on the basis

ations. On prudential systemic grounds, unfettered cess is desirable to allow for the reduction of settlement risk. While there is no historical precedent for a central bank providing intraday credit beyond its mone tary zone, the issue has to be viewed in context, European monetary union is a unique

investors and other ecogates will be a complicating early years of the single curhow the question of intraday

event, as is the advent of a cross-border real time gross settlement facility. T.P. Sweeney, director general, British Bankers' Association.

of public policy consider-

105-108 Old Broad Street, London EC2N 1EX, UK

Nato expansion risks hostile Russia

From Richard McCormack. Str, With reference to Ian Davidson's article "Danger ous liaisons" (January 22), many national security experts in Washington. including former Senator Sam Nunn, have sharply questioned the wisdom of expanding Nato to the old

operation of euro monetary

shown why the unrestricted

provision of intraday liquid-

Hitherto the main argu-

ment for restrictions on the

policy, but it has yet to be

ity need have this effect.

provision of liquidity via

overnight liquidity and so

risk compromising the mon-

etary operations of the Euro-

pean Central Bank. The way

Soviet frontier in present cirin his swan song. Mr Andrei Kozyrev, former Russian foreign minister, declared that both he and his policies of co-operation with the west had been discredited by the American government's

decision to press for the Nato expansion. Subsequently, under the hand of the old Soviet era hardliner, Mr Yevgeny Primakov. Russian foreign policy has taken on a distinctly less accommodating tone. A weapons technology transfer

China has been organised as part of an announced strategic partnership. Submarines for Gulf use have been sold to Iran. Arms reductions treaties have been stalled in the Duma, amid a barrage of harsh rhetoric. Were Russia today actively

threatening former Warsaw

pact members, an expansion of Nato membership would be appropriate. Today, such nolicies only serve as a thumb in the eye of Russian nationalists, and a potential long-term security concern to Russia's military. As recently as the 1920s, Polish armies were operating inside the former Soviet Union, and Hitler's invasion is a fresh

memory to many. Statements from Nato disavowing hostile intent are as credible to many Russians as similar statements from bad the cold war ended dif-

ferently, and Mexico were being offered Warsaw pact membership.

To go beyond the Pariners for Peace programme only makes more likely a selffulfilling prophecy of a hostile Russia, and reduces the odds that Belarus and Ukraine will have the time they need to develop their own independent institutions before being pressed to

new division of Europe. Such foolishness will be given close scrutiny in the IIS Senate before any twothirds ratification. Other options for eastern Europe should be considered.

join a Russian-centred mili-

tary alliance, as part of a

Richard McCormack, under secretary of state 1989-1991, 818 Connecticut Avenue NW, Suite 800, Washington, DC 20006, US

Not winners and losers

From Dr Livia Markoczu. Sir, In John Plender's essay on why eastern Europeans so easily fall victim to pyramid schemes ("Pyramid power", January 28) one very important factor was left out. Many eastern Europeans appear to believe that normal business transactions are zero-sum games. That is, they believe that the only way to win in any deal is if someone else loses.

Until they come to realise that a normal transaction on a functioning market is to the benefit of all parties. they will not have the tools to see the essential difference between legitimate investments and pyramid schemes. People who have been more isolated from the functioning of markets are more vulnerable: so it is no surprise the worst instances have occurred in Albania,

Romania and Rossia. I remain optimistic that people will quickly come to understand that business deals are not zero-sum, and that these incidents - while tragic for those hurt by them - will do no long-term damage and will quickly fade into memory.

Livia Markoczy. senior research fellow, Cranfield School of Cranfield, Beds MK43 OSS, UK

Moscow would have been and arms sales policy to

From Mr Bill Smyth. Sir, David Marsh's premise (Personal View, January 29) that the markets have "little doubt" that a broad-based Emu will start in January 1999 seems incorrect. In fact, what the bond markets seem to be discounting is "narrow" Emu in 1999 with entry

later - say 2002 - for Italy, Spain and Sweden A crude calculation with illustrate this. If it joins Emu in 2002, the bond

the example of Italy can

spread should be reduced to a credit spread of at most, say, 50bp. In the five years to 2002 investors need to be compensated for the currency risk of the lira versus the D-Mark (i.e. the inflation differential), which could be assumed to be 200bp. For an investor in a 10-year bond

from the current level. There may be a "slowdown of the Emu bandwagon" but current bond market valua tions do not reflect a firm expectation of broad Emu.

the "fair value" spread now

is (crudely) the average of

these two, 125bp, not far

Bill Smyth, 78 Wendell Road. London W12 9RS, UK

Inward investment threat if UK outside single currency

From Mr Rhodri Morgan

Sir, The remarks of Mr Okuda, the president of Toyota ("Toyota chief in warning on Emu", January 30) that the company would not be likely to invest further in the UK if it was outside the single currency. raises the spectre of Britain again becoming industrially marginalised. The UK share of investment in Europe by non-European investors searching for the right gateway to Europe could drop again to the level suffered

Apart from those 15 years when the Common Market was in being, and the UK was outside it, the UK has

between 1958 and 1973.

consistently, since the secand world war, received 40 per cent of non-European investment into Europe. This has applied whichever government is in power. It has also applied when there was no Common Market at all - 1946 to 1958. The reasons the UK is so favoured are complex and relate to English being the international language of business.

expectation of fair treatment by regulatory agencies, generous grants to go to assisted

areas and so forth. Between 1958 and 1973, when there was a Common Market, but Britain wasn't in it, that 40 per cent share dropped to 15 per cent. The \$64bn question for everyone in Britain, and especially those who live in the assisted areas, is whether such a drop could happen again, if a single currency is formed and Britain is out-

If a wide swathe of Far

Eastern or North American big industrial companies develop the same perception of the European single market as Mr Okuda, that is the possibility we face. That factor will have to be uppermost in the minds of everyone involved in making the decision on whether Britain joins the single currency

Rhodri Morgan, Labour front bench spokes man on Welsh affairs. House of Commons. London SWIA OAA, UK

early, late or not at all.

Management · Emiko Terazono

The local connection

Japanese banks are hiring more foreigners in an effort to expand their business

Japanese banks have been used to running their foreign operations from Tokyo and have been slower than their counterparts in manufacturing to cede control to local

One reason for this is that, until recently, the banks' international operations largely consisted of following their Japanese clients overseas, rather than providing banking services to local customers.

Now they are under pressure to undertake more local recruitment. The motivation for many is to cut costs, rather than to improve international perspective. Expen- Still made in sive expatriates are being sent home and replaced with non-Japanese staff and man

But the strategy is creating tensions within some organisations. As many decisions are still made in Tokyo, the language and cultural barriers have been bard to break for non-

Japanese institutions still emphasise consensus. Nemawashi, the behind-the-scenes

sounding out of issues, and Tokyo and the non-Japanese ringi, the official consensus-staff. "The branch manager building process usually may be pleased with what accomplished through internal memos in Japanese, are still important. Managers who do not speak Japanese have little means of communicating with counterparts in Tokyo and have been left out of the decision-making

While this is frustrating for non-Japanese managers. Japanese staff have also found the situation stressful. "We end up taking on those deals and work which belong to other managers," says one middle manager at a bank in the City of London. These Japanese expatri-

ates feel squeezed between As many decisions are

Tokyo, the language and cultural barriers have been hard to break for non-Japanese

superficially looks like localisation, but the inefficiencies have grown," says the man-

Some Japanese banks in the City are now trying to remove the language barrier by circulating ringi memos in English. Mr Yutaka Kitamura at Sanwa Bank's London branch says the propor-tion of paperwork in English has increased greatly. A few banks are trying to take the process further forward.

'We want to compete against other European banks and for that we need local specialists," says Mr Shunichi Okuyama, managing director of Sumitomo Bank in London. The bank's financial products and loan divisions are staffed by non-Japanese officials.

The bank also surprised other Japanese institutions by transferring a team of UK managers to Hong Kong three years ago. It was the first time a Japanese institution had moved a non-Asian manager to the region.

For local empowerment really to take effect, how-ever, regional decisionmaking bodies need to be set up outside Tokyo. Divisions overseeing loans, budgets, strategy and auditing that can be shifted out of head

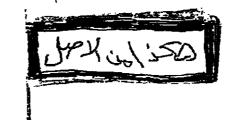
office should be, says Mr Okuyama. In the US Sumitomo has an American head office making business decisions in the region.

Fuji Bank, too, is trying to accelerate local control. The bank is working on an international personnel system with a full benefit and persions scheme for non-Japanese staff.

With Japanese clients now accounting for just a fifth of all business - down from 40 per cent or 50 per cent a decade ago - Fuji must become a truly European bank, says Mr Aklo Takeuchi, general manager of Fuji in London. To do so, it must keep qualified specialists who demand high salaries and are wooed from other institutions. For us, localisation is no longer a cheap

alternative." In spite of all their efforts, Japanese banks are a long way behind their US and European counterparts, say Japanese banking executives in the City.

As one London-based Japanese banker says: "We see European banks which have their eyes set on the world bringing in international executives as board members and changing their internal official language to



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FINANCIAL TIMES

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Monday February 3 1997

Giving credit

to the poor

The Microcredit Summit which mit's organisers estimate this

draws attention to a 1990s rar- around a third would be from

ons that a mere 0.2 per cent of nity's ability to exploit them. Equally, few would argue that

lation. Banks do not seek out from other, just as important, poor villages or districts prerequisites such as basic edu-

Enter micro-finance and a not be judged by dollars and

rare opportunity for belea- cents. It will have been a suc-

Helping Algeria

Mr Piero Fassino, Italy's deputy side government broke ranks

foreign minister, seems to have Mr Lionel Jospin, the Socialist

pean Union peace initiative in impression that it is an uncon-

Algeria. Mr Lamberto Dini, for- ditional supporter of the Alge-

will require \$21.6bn, of which

Does this make sense? The

answer is probably no. Seeking

to learn from micro-finance suc

cess stories and to build on

them is one thing. Diverting a large chunk of the scarce

resources available for anti-

poverty programmes into local

projects that lack the capacity

Most fans of micro-finance

would agree there is little point

in funding projects without

looking carefully at the commu-

money ought to be diverted

cation and healthcare. There is

will forget these caveats in the

rush to support the fashionable

development success of the day.

cess if the official and non-

governmental organisations rep-

resented come out better

informed about the benefits and

potential pitfalls of micro-

finance, and keener to collabo

rate on getting it right. But the

participants should also be

using the welcome popularity of

micro-finance to focus attention

where it ought to be - on why

such a large share of develop-

ment assistance is not reaching

the poor. On average, 35,000

children under the age of five

die every day from malnutri-

tion. Part of the solution to this

horror will be micro-finance.

But she who would be a suc-

cessful borrower must first live.

leader, said France should not

d'Estaing, former president

suggested that all parties that

took part in the 1991 elections

should be allowed to compete in

The scope for governments to

use economic aid as a lever is

limited, since the banks res-

cheduled Algeria's foreign debt

in 1994 after heavy lobbying by

the French government. Rising

those planned this summer.

me". Mr Valèry Giscar

The value of the summit must

a danger, however, that donors

to absorb them quite another.

official sources.

began in Washington yesterday

ity: a development programme

which everyone likes. Even the

harshest critics of aid find it

difficult to object to making

credit and saving facilities

available to the world's poorest.

And rightly so: experience

worldwide has shown that

micro-finance institutions can

help many along the road out of

Private financial markets fail

when it comes to the very poor,

in rich countries as well as poor

ones. The United Nations reck-

to the poorest fifth of the popu-

because that is not, to coin a

phrase, where the money is. But

deprive poor people of the

chance to lend or save even

modest amounts and they are a

lot more likely to stay that way.

guered defenders of develop-

ment assistance to trumpet suc-

cess. From southern Bangladesh

to Chicago's south-side, many

micro-finance projects have

filled the gap, fuelling "micro-

entrepreneurship" and - as

important - helping their cli-

ents reach a basic level of eco-

A draft summit declaration

calls for a massive injection of

funds into micro-finance pro-

jects, which usually have to be

subsidised for at least five years

before they have a hope of

becoming self-sufficient. The

goal is to reach 100m of the

world's poorest families by 2005.

up from 8m today. The sum-

embarrassed his superiors with

minister, quickly explaine

that Italy had "no intention of

proposing a mediation" between

Algerian parties. It transpires,

moreover, that Mr Dini's meet-

ing with his French and Span-

ish colleagues, at which he had

been expected to present the

Italian initiative, will not be

held today, as reported, but

Yet Mr Fassino's statement

later in the month.

his call last week for a Euro-

nomic security.

poverty - especially women.

MONDAY FEBRUARY

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at Supplie began as to other SEEDING STEEDS for the reduct والعراقة المرتبي W Oth WEAR IN COM moterati (b) 81 35 is the s Caling CLOS : TOTAL SA 10 to the stage of the s T.P. Sweeps director sensy Bankers' Ass Pinners Hall

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The section of the section The Read and رهاستناك الأمريا وإ ं देश देश हैं

The Books with

and a

energy prices have filled the cofreflected more than a passing personal thought. In Italy, fers of the state and the pockets France and Spain, officials of its ruling class, while the watch developments in Algeria mass of the population sinks with ever greater anxiety. It further into misery and terror. But past mistakes cannot seems less and less likely that President Liamine Zeroual can end the violence by a purely repressive strategy. To isolate the terrorists of the Armed Islamic Group (GIA), he must open a dialogue with more mod-

excuse present inaction. European governments should tell Mr Zeroual that his elections must be preceded by free debate, monitored by international observers. The EU must erate opposition forces, includalso be prepared to enforce the ing the Islamic Salvation Front human rights and democracy (FIS) which won the first round clause in the new partnership agreement it is about to negotiof the aborted 1991 election. Governments are reluctant to ate with Algeria. Europe could say this publicly, for fear of thus show itself on the side of the many innocent Algerians harming relations with a country where they have a big comcaught in the crossfire between mercial stake. But last week state terror and that of the

Wrong line

senior French politicians out- Islamic fundamentalists.

Once there was a ruler, more kindly than wise, who said. "All subjects need air, water and the fruits of the earth. Air is free and water is plentiful. Therefore I decree that food also shall be given without charge to each according to his need."

Despite the wild rejoicing which greeted this announce ment, the ruler soon became unpopular - as any economist would predict. When the cash tills were removed, the shops became empty. Sullen queues formed before dawn to catch deliveries, and those at the front of the line carried away far more than they needed, because tomorrow they might

go empty away. Described in such terms, the perils of zero marginal pricing appear trivially obvious. However, the moral seems to have escaped many providers of Internet services and many US

telephone companies. America Online, the largest Internet service provider, is now threatened with a series of lawsuits from customers discontented over what they are getting in return for their flat-rate subscription. They thought they had been offered access to the Internet at a marginal cost per minute of zero, only to find everybody else jamming the not, there is a risk that every-

The problem is compounded by the fact that US regional telephone companies offer free local calls. So for a fixed annual fee users can surf the net for as long as they like. Predictably, many use the service for much longer than they need, even leaving their computers con nected continuously to avoid losing their place to the next

person in the queue. This mess has occurred because voice lines and high-capacity long-distance connections are being used for purposes far removed from what was envisaged when their tariff structures were established. America Online is not entirely to blame for trying to exploit an irrational pricing structure, although its marketing may have been

too aggressive. The remedy must lie, rather, with the telephone companies and their regulators. Since the Internet is here to stay, local call pricing must take account of the new technology. Free calls may once have had a populist appeal for local politicians. Those days are - or should be ~ over. Long-distance carriers also need to be able to charge prices which reflect the cost of developing new lanes on the information superhighway. If they do one will be jostled off the road.

COMMENT & ANALYSIS

Drive to plug the gap

Though Europe appears to be lagging behind in information technology, this may be about to change, says **Nicholas Denton**

chipmaker of Only the Paranoid Survive, is now worrying on behalf of Europe. In a speech today at the World Economic Forum at Dayos. Switzerland, he will warn that European companies risk losing competitiveness because they are unenthusiastic about information technology.

"My biggest concern for Europe is that its companies operate like oldline US companies did 10 years ago," says the man behind the world's dominant manufacturer of the semiconductor chips at the heart of computers.

Crucially, Mr Grove claims, the Europeans lag behind in adopting Internet applications such as electronic mail. "These applications let you react in minutes and hours instead of days. In that sense, Europe is way behind."

There may be an element of self-interest in Mr Grove's concern: Europe has been slower than the US to buy Intel's newest Pentium chips. But complaints over Europe's slow IT growth have been voiced by other large companies, including Computer Associates, the software company, and International Business Machines, the world's largest computer maker. Europe's lT producers appear to lag behind as much as consumers: a report presented to the European Union Council of Ministers this weekend has warned of a "disturbing" competitiveness gap between Europe's IT industry and that of the US and Japan.

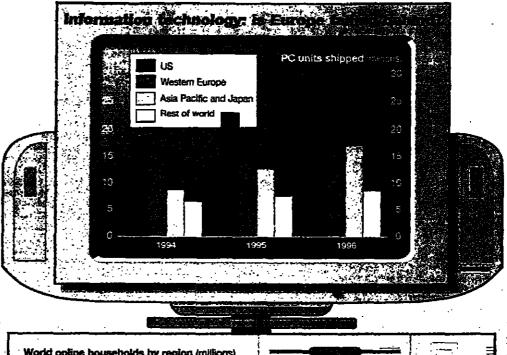
However, while Eurone has undoubtedly trailed the US in the use and production of information technology, there are signs that it is beginning to catch up. In sectors such as financial services, large companies are putting their computer systems at the heart of their businesses. And for European developers of IT hardware and software, conditions are improving in three crucial respects: better access to funding, a reduction in barriers to marketing, and the emergence of a new entrepreneurial culture.

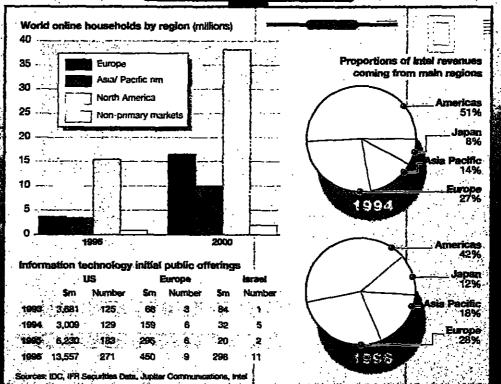
The raw statistics certainly seem to back Mr Grove's case. Sales of personal computers in Europe have slipped for the first "remain silent; nor give the time below those to the Asia. Pacific, according to IDC, the

European sales, which grew only 5 per cent last year according to IDC, appear to be faltering, even though the proportion of households with a PC is still only half the US level of 40 per cent The US has four times the number of households online as Europe, and will still have more than twice as many in 2000 if present trends continue.

Meanwhile, Olivetti of Italy, Europe's last mass producer of PCs, sold off that business last month. Software developers and other IT companies in Israel attracted more finance last year through initial share offerings than their counterparts in countries such as France or the UK with 10 times the population.

Siemens Nixdorf of Germany believes low IT spending reflects Europe's over-regulated labour market, which makes it difficult to shed staff. "Europe is still much more reluctant to substitute technology for labour and in that sense is behind the US."





says Mr Robert Gogel, a board

s Schwad, the Stockbroker and Wells Fargo, the retail bank, have taken a lead in their fields by giving customers access to accounts over the Internet. But some European groups are at the forefront in other technologies. Halifax Building Society, the UK mortgage lender, uses neural network technology which mimics the action of the brain to judge the profitability of individual lending decisions. Direct Line, the UK direct-selling insurer, uses advanced database marketing software to pinpoint potential customers and identify ones that might be about to defect. And even the high-tech Wells Fargo has visited Lloyds-

to learn from its modernisation of old mainframe systems. Europe has also produced some exceptional IT companies. Software developed by SAP of Germany is used by most of the world's largest oil, chemicals and pharmaceuticals companies for

TSB, the largest UK retail bank

stock. The smartcard technology developed by Mondex, the UK Such unflattering comparisons venture developing an electronic miss revealing detail - as can be equivalent to cash, was suffiseen from the financial sergices ciently advanced for Mastercard ists have already begun to arrive-industry. US companies such as to buy into the consortium. And in Europe - attracted by the sucmobile telephony has produced world-class equipment manufacturers in Nokia of Finland and Ericsson of Sweden. Indeed, there are signs that

successes such as these are making it easier for European IT companies to raise venture capital a perennial problem in the past. In the US, venture capital firms financed the explosion of IT companies in places such as Silicon Valley - investing \$1.8bn last year in California alone.

The venture capital industry in the UK, which represents about half of European venture investment, invests a similar proportion of gross domestic product to its US equivalent - about 0.8 per cent a year But just 40 per cent of the UK finance went into hightech companies in 1995 compared with 78 per cent in the US.

Mr Hermann Hauser, who has founded or backed about 30 startups in the UK, explains how difficult it was to raise finance for one venture: "The recommendafunctions such as the control of tion of UK venture capitalists

drug smuggling, says the drug

unionists that the move violates

rights and creates a dangerous

Puerto Rico's murder rate is

second only to Washington's,

says an impatient government.

Maybe this will improve if the

though plenty of ex-bureaucrats

drug testing goes through -

could be left harbouring

murderous thoughts.

tests are a must. His justice

accusations by local trade

Puerto Rican constitutional

secretary has rejected

precedent, allowing the

liberties in the name of

crime-busting.

government to erode civil

was to go to the US and find US investors alongside whom they would be prepared to invest." In fact, the US venture capital-

in 1993 by General Atlantic Partners in Baan, a Dutch business that develops software used by companies such as Boeing and Hitachi to control stock and project sales. Baan's market capitalisation has since risen 30-fold. Venture capital firms such as

Advent, Warburg Pincus, New Enterprise Associates and Oak Investment Partners have brought not just money but also the networking skills that have helped small start-ups in the US find managers, publicity and customers. And several west coast investment banks such as Robertson Stephens arrived in 1996 offering to take European IT companies to Nasdao New York's exchange for growing businesses, where Baan and Dassault Systèmes of France are already listed.

"Obviously we did not move here for the weather," says Mr Josh Rafner, head of investment banking for Hambrecht & Quist. "There were more and better

companies than we could adequately service from California. I got tired commuting over Green-

The creation of new European stock markets such as the Alternative Investment Market in London and Easdaq, which is based in Brussels and modelled on Nasdaq, will make it easier for home grown venture capitalists to sell their stakes and realise gains. And European fund managers are becoming more willing to invest in local high-tech shares.

One reason for earlier caution mong European venture capitalists over investments in hightech companies was the low rate of return compared with finance for alternatives such as management buy-outs. In many cases this low rate of return reflected the difficulties in selling in the fragmented European market.

"European bankers, far from being laggards, are just as smart as their US counterparts," says Mr Marcus Lovell-Smith, of Ramar, a European maker of chips which read electricity meters. "The issue is the sheer size of the US market." Ramar had to tailor its product to satisfy differing regulations in each European country; US competitors can address a huge home market with one standard

ut the Internet is making it much easier to reach the scale of production that leads to adequate rates of return. By making it easier to distribute news and software, it is creating a seamless global market for many IT

What the Internet has solved is the problem of getting the products into the shop," says Mr Michael Lynch of Neurodynamics of the UK. His company develops "intelligent agent" software which can, for example, search for information on the Internet.

Opportunities such as these are changing the European IT business culture. Managers at large companies have previously been unwilling to risk their careers on a new start-up, while technologists have been reluctant to give up control in exchange for expansion finance.

But the power of example is ists have already begun to arrive-weakening these aversions, observes Warburg Pincus, the US venture canital firm. Europe po has at least one shining example of the rewards for being prepared to take risks, in Mr Jan Baan, The company's success has allowed the Baan family to set up a charitable trust for the developing world with a shareholding worth more than \$1bn. That looks attractive, particularly when established companies such as Bull of France and Olivetti no longer look like secure work-

> Europe still has no cluster of high-technology companies that comes close to Silicon Valley or even Israel. And a stockmarket reverse could easily halt the flow of US finance into the European IT ventures.

> But for the moment observers at US firms such as Hambrecht & Quist believe there are profits to be made in European IT investment. "We are seeing a resurgence of European entrepreneurialism and good technical skills," says Mr Rafner, "and we are here

OBSERVE

Passport to Paris

■ France is dangerously close to scoring an own goal in the build-up to next year's football World Cup. In its haste to build a huge new stadium in the Parisian suburbs, the authorities seem to have got themselves into a tangle over all-important sponsorship. A tricky piece of legislation

called the lot Even has for several years outlawed advertising of alcohol and tohacco on French television stations. Good news for the health lobby - but not for the US brewer Budweiser, a leading sponsor of the 1998 championship. Nor are French TV channels happy they might be unable to show the games. So what on earth can be done. short of breaking the law?

Maybe France will turn to technology developed by its own Lagadère group, which can electronically remove any inappropriate advertising hoardings from television broadcasts. But another possibility - which Budweiser would no doubt find much more to its taste - is confronting high ranking French officials. The innovative proposal would simply make the stadium

"extra-territoriale" for the

duration of the championship:

temporarily creating nothing less than an independent state, little larger than a football pitch and totally exempt from the strictures of French law. Naturally, Observer sought an official comment from the

French ministry of sport on such a fanciful suggestion. After much hesitation, the ministry will only say that the matter is extremely delicate and that no firm decisions have been taken. Quite so. After all, declaring

independent the buge stadium which was formally named the Stade de France is not something to be lightly undertaken.

Positive move

■ Civil servants in Puerto Rico who want to keep their jobs will soon have to line up outside clinics for mandatory drug tests. Those who test positive will be shown the door.

The move is part of government efforts to reduce the high drug-related murder rate in the US Caribbean possession, which is a favourite conduit for Latin American narcotics smugglers. Although Puerto Rico is part of the US customs jurisdiction, there are no routine checks on cargo between the island and the US mainland. So Pedro Rossello, Puerto Rico's governor, who was

re-elected last month on a

platform to combat crime and

No skidding

■ So it's true. No self-respecting Italian motorist takes a bend on four wheels and too many British drivers still use their vehicles as though there's a man with a red flag in front of them.

Proof of the old, national stereotypes on driving behaviour has finally arrived in the form of some indiscreet yet fascinating insights from Michelin, the French tyre group. The normally secretive company has just let slip, during a rare visit by iournalists to its tyre-testing facility in southern Spain, that British drivers get through their tyres at a much slower rate than most of their continental European counterparts.

It seems that Italians - for whom the smell of burning tyre rubber is akin to an approdisiac get through their treads almost one-third faster than pottering Mr and Mrs Pooter. The Brits also keep right on to the end of the road long after the French are forced to re-tyre their turbo-powered Baguettes and the Germans their six-cylinder Bayerischen Bratwursts. All of which is good news for the parsimonious Pooters - though it's bound to leave Michelin man

Party vote

a little deflated.

 Having finished his business at the world economic forum in Davos, Malcolm Rifkind, Britain's foreign secretary, yesterday popped into Liechtenstein; it was the first official visit by a senior British minister that most of the 27,000 population can remember Before anyone gets too flattered. however, it seems the tiny principality offered a convenient stopping off point on the way back to Zurich airport, rather than a venue for talks on important affairs of state. As tt ... turns out, his arrival coincided with Liechstenstein's general . election; one tip which visiting statesmen might like to pick up,

his hosts had the good sense to

carnival.

combine the day with an annual

Financial Times 100 years ago

A Dubious Proposal

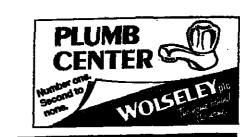
New diamond mines of dazzling promise should . usually be regarded with some suspicion, and when a concern of the sort is not only but advances by stealth on : the attention of a guileless public, there is especial reason for distrust. If the reports concerning the Inverell Diamond Fields of New South Wales can be believed, the property is one of the wonders of the world. The De Beers company is content to make large profits on a yield of barely one carat. per load; but four loads from these inverell fields have produced, it is said, 154 carats: If there were a real prospect of the Company achieving one quarter of what it is said it can do, the concern would be one to proclaim from the house-tops. Recipients of the prospectus should leave the shares in the hands of the promoters

50 years ago

Tanganyika Diamonds Dar-Es-Salaam, 2nd Feb. The export of diamonds from Tanganyika in the first 11 months of 1946 shows a very great increase compared with the same period of 1945. The total was 112.576 carats valued at £926,000 compared with 101 982 carets and

FINANCIAL TIMES

Monday February 3 1997



Pakistani exile campaigns by telephone from London

The rhetoric of Pakistani politics is raw at the best of times, so there is nothing immediately surprising in the recent harangues of Mr Altaf Hussain, the exiled leader of the Mohajir Quami Movement, against "extra-judicial killings

of the Mohajir people". The difference is that he makes his impassioned election campaign speeches not from the stump but by using a telephone at the movement's headquarters in the London suburb of Edgware.

in the past three weeks, Mr Hussain has been giving six or seven speeches a day - each up to three hours long - live on an international telephone line which carries his voice via giant loudspeakers to vast crowds in MQM strongholds.

By most accounts, the effort, while expensive, is paying off. The MQM, which champions Urdu-speaking migrants from India is likely to emerge as the third largest political party in today's national and provin-

The party is forecast to win 12 seats in Karachi, its home base, which it governed until the army stepped in three years ago, and two more in Sind province.

A 14-seat result would give



Mr Hussain has lived near Edgware since fleeing Pakistan in June 1992 after receiving dozens of death threats, and it is by no means clear that he will return to Pakistan even if the MQM does well.

Pakistani authorities say he has blood on his hands. His supporters say that with more than 100 charges to his name. from murder to sedition, he may yet end up with a noose

greets supporters in Lahore as election campaigning ended lead to a place in a coalition "The presence of thousands of people at our rallies is evidence of the rejection of the charges against me." he says. He is slightly breathless after a rousing speech, deliv-

ered in Urdu and English for

the benefit of the international

Gulshan-e-Iqbal, a wealthy

Karachi suburb. Gulshan-e-Iqbal is the last big speech of the day, before a final firebrand delivery to the slum colony of Qarangi,

Bhutto as he reminds the voters of the discredited former prime minister whose administration sent the army into Karachi. Thousands died in the subsequent violence which brought Karachi to its knees,

murdered her brother," he cried, referring to last year's slaying of Murtaza Bhutto.

Anwar, an accountant like his MQM colleague and business partner Mr Tariq Meer. Among the ranks of this unlikely cell of activists is the wife of the chief executive of a bank.

On a wall in the secretariat is a map of Karachi that is labeled as the "City of Death" In this, as in previous polls, death is a campaign issue.

Low turnout expected, Page 4

German doubt on Emu start

Continued from Page 1

be harmonised, at the lower end of the range. This will be

enormously deflationary." But cost differentials between countries would remain, including longer holidays and shorter work weeks. "From a political point of view. how will we be able to adjust

our structures?" he asked. Mr Kenneth Clarke, UK finance minister, said this was at the heart of the debate: "The pressures to speed up structural change will be very strong indeed. Consumers may have to accept lower wages in line with lower prices.

Open skies

to querying theBA-Amercian alliance, Brussels is pressing for the right to negotiate open skies agreements with the US on behalf of all EU member

The UK government believes that if it fails to reach agreement with Washington, pressure from the Commission to negotiate on behalf of member

Washington has concluded open skies agreements with 12 European countries, including Germany, increasing pressure on the UK to do likewise.

Europe lags in technology race, warns EU report

By John Griffiths

action by all EU member countries is needed to help Europe's information and communication technology (ICT) industries close a "disturbing competitiveness gap with the US and Japan, according to a report prepared for the EU Council of Ministers.

"Europe's progress in closing the gap is slow or even non-existent," warns the report from consultants Booz-Allen & Hamilton and commissioned by the Dutch government, holder of the presidency of the Council of Ministers.

ing conclusions, the report finds that Europe's share of traditional ICT mass-market products has stagnated.

The EU's growth rate in critical, expanding sectors such as software is only one-fifth that of the US, and output of IT hardware and consumer electronics is falling behind US

and Asian competition. the blame for this poor performance on major differences in the ICT-related policies of individual EU member countries. This resulted in a fragmented European IT and communica-

Urgent action Urgent political and economic needed to close gap with US and Japan

> tions framework, with diverging technical standards, different national licensing rules for products and differing treatments of infrastructure.

"In place of entrepreneurial initiative it is all too often reg- of standardisation procedures, ulation and bureaucracy which dominate in Europe,' said Mr Gerd Wittkemper, European approach for the Booz-Allen's head of world- entire ICT business. and technology practice. Mr. Wittkemper presented the development programmes to report's main findings at an informal meeting of EU indus- trum. Under current circumtry ministers in The Hague stances, "access to a large mar-

and passive components sector, where Europe retained a relatively stable market share, its manufacturers had "slipped behind" in the amount of value they added, he said.

The report had a warning, the world market leader. In critical new areas of the sec-

tor, such as equipment for the information "superhighway", the US "seems to be taking the lead". The report calls for a series of policy initiatives,

 Harmonisation of telecommunications markets, with a regulatory body responsible introduction of a common regulatory framework in the long

 Acceleration of the reform with national organisations to be integrated into a common

wide communications, media • The merging of currently cover the entire industry specket under uniform conditions Even in the semi-conductor is significantly impeded if not altogether prevented", according to Mr Wittkemper.

"One of the consequences is that Europe is wasting chances for job creation. The

Drive to plug the gap, Page 19

crippling the civil administra-tion and business. She granted gifts of land and promotion to the police who killed Mohajirs, but see how the gods have taken revenge – the same police

Saturday was the final day of campaigning, though it was hardly apparent at Edgware HO. About a dozen people, many exhausted after two weeks of campaigning combined with fasting during this month of Ramadan, quietly

prepared for the last railies. The chief MQM organiser in Edgware is Mr Mohammed

monitoring team, to a rally in

THE LEX COLUMN

Music goes pop

The Spice Girls permeated the UK airwaves over Christmas, but there has been little spice elsewhere in the music industry. Over the past five months, shares in the two listed European record companies. PolyGram and EMI, have sunk down the charts. Problems have been numerous. Sales growth in developed markets tailed off sharply, particularly in the US and Germany. In the US problems have been exacerbated by overstretched music retailers, which are trying to discount and destock their way out of trouble. Compact discs are losing their premium pricing as the switch from records and tapes slows. And finally, the release pipeline has been uninspiring, with a few bigbudget launches getting a thumbs down from the consumer.

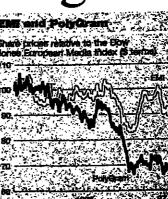
Given the music industry's racy stock market ratings, the response has been inevitable. After all, Poly-Gram's 1996 profits will probably be lower than in 1994. Nonetheless, industry trends remain more positive than the noise suggests. Six per cent compound annual growth looks achievable over the next decade, and emerging markets could add considerably to the run-

ning rate for some companies. PolyGram's Hollywood ambitions and exposure to the sluggish classical music market make it less attractive. But EMI should fare better. It trades on a similar multiple of enterprise value to cashflow, but has the advantages of limited US exposure, a strong publishing business, and no controlling shareholder. Consolidation was a significant factor in the industry's growth in the 1980s, and EMI is bound to participate if there is a second

The dollar

Since bottoming in April 1995 the dollar has rallied strongly, with the new year only adding renewed vigour. But this needs to be kept in perspective. Back in 1970 the dollar bought you DM3.70, Y360 and SFr4.30. Even after the latest gains, the dollar today buys only about DM1.60, Y120 and SFr1.40, Still. there is increasing reason to believe this long-term structural decline is over, and that the strong currencies of the floating-rate era - the yen, D-Mark and Swiss franc - are experiencing more than a temporary reversal.

It is important, of course, not to be seduced into simply extrapolating from the latest trend. The dollar ing, though this could be offset by overvalued.



is benefiting from a supportive cyclical environment. Economic growth in the US continues to outstrip that in Europe and Japan, while short and long term interest rate spreads favour the dollar. But these cyclical trends are underpinned by other factors pointing to a more durable change. One is underlying economic performance. The

other is the policy backdrop.

For many years the dollar was laid low by a combination of indifferent politics and bad economics. Successive Treasury secretaries talked down the currency, as if they were indifferent to its value. The dollar was also dogged by large and ongoing twin deficits - budget and trade - which gave the impression of a country living well beyond its means. This has changed; the trade deficit has fallen, the budget deficit halved and the savings rate risen. The policy environment has also

changed. US officials are now tireless advocates of a strong dollar. By contrast. Zurich, Tokyo and Frankfurt are systematically engaged in devaluing their currencies. This is an extraordinary inversion of the past 20 years. But it is hardly surprising; exchange rate movements are, in the long run, barometers of economic performance. And while the US has enjoyed sustained noninflationary growth, and admirable job creation to boot, Germany has seen unemployment rise to over 4m. Switzerland has endured six years of no growth, and Japan is struggling to avoid deflationary collapse. In the short term, reversals are possible, even likely. The dollar could not survive a collapsing stock market unscathed, nor a concerted policy initiative to arrest its appreciation. There are also long-term imponderables: the dollar's reserve currency status may be diminish-

Japan; or by US pre-eminence in growth industries.

Whatever the answers, we are in a new phase. The certainties of the floating-rate era have dissolved and the dollar is revived. Of course, to be sure that the dollar's recovery is durable, it will need to show relative strength when the economic cycle turns. But given that Japan and Europe look likely to have a combination of fiscal rigour and monetary ease - a recipe for weak currencies - for a few years yet, a change does not appear close at

Index-linked bonds

Last week's introduction of inflation-linked bonds by the US Treasury was a great success as inves-tors snapped up the \$7bn issue. But America's first foray into indexlinked bonds also poses two apparent puzzles - one on the convergence of real interest rates and one on the relationship between US bonds and equities.

According to academic theory, there should be a single global real interest rate once inflation and currency risks are stripped out. Since inflation and currency depreciation ought to balance out over the long term, index-linked yields should in theory be the same the world over. In practice, however, this is far from the truth. The new US bonds closed the week with a yield of 3.3 per cent. But index-linked gilts vield around 3.6 per cent; in Canada it is 4.2 per cent; while Australia. New Zealand and Sweden all hover around 5 per cent. Part of the gap can be explained by the lack of liquidity in the smaller markets. But these are still big differentials. And it is hard to see why the UK, with over £40bn in issued indexlinked stock, should see its bonds trading at a premium of 30 basis points to a single \$7bn Treasury

It is also worth comparing indexlinked yields to equity yields. In the UK, the real gilt yield has generally served as a floor for the yield on the FT All-Share index, which is currently also 3.6 per cent. In the US by contrast, the S&P dividend yield is only 1.7 per cent. Even adding in share buy-backs, which are more common in the US, does not bring the yield anywhere near the 3.3 per cent on the new index-linked Treasuries. By this benchmark, as by so many others, US equities look

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431.70

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The report places much of lack of a large European states will grow. domestic market is counter-

too, over equipment for public productive to successful entry into the key global markets of information networks - the only sector in which Europe is the future," he said.

Europe today

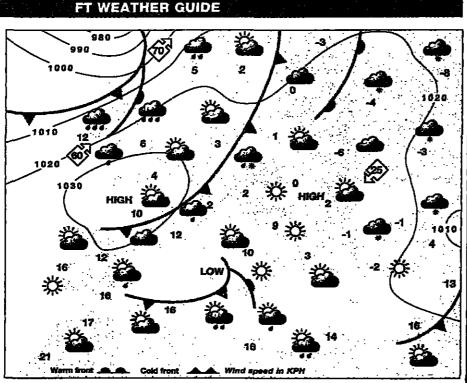
A frontal zone will cause cloud, rain and sleet from eastern Germany to southern France. North of the front. it will be mainly dry, except for Great Britain where a new disturbance from the Atlantic will produce heavy rain in the north. The south will be overcast. Spain and Italy will be mainly dry with sunny periods. The southern Mediterranean will be mostly dry, though Tunisia and northern Libya vill have some showers. The Balkans will be sunny. Greece will have some cloud. Southern

will have snow. Snow will also occur across the Ukraine and In Russia.

Turkey will be sunny, but the north

Five-day forecast

More disturbances will affect northern Europe during the course of the week. The British Isles and western Scandinavia will have the most rain, but north-western Europe will see some too.





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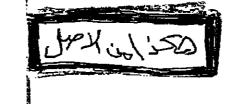
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OTHE FINANCIAL TIMES LIMITED 1997

FINANCIAL TIMES



"True creativity blooms when we dare to reject "common sense" and traditionally accepted scientific knowledge."

falls after accounting changes

By Daniel Dombey

The adoption of US accounting standards contributed to a 69 per cent drop in 1996 net income of Bancomer, Mexico's secondlargest bank, to 170m pesos

Under the Generally Accepted Accounting Principles, Bancomer increased past due loans from 9.4bn pesos to 22.2bn pesos, 18 per cent of its loan portfolio. Under the previous guide-lines, these would have risen to 10.7bn pesos.

The figures do not include a further 12.3bn pesos in past due mortgage loans recently sold to the government by the bank. Over the past two years, Bancomer has sold 53bn of poor quality loans to the government, roughly the same proportion of its portfolio as other

Bancomer has also increased its loan loss provisions. At the end of 1996, provisions stood at 57.5 per cent of the past due loans still on Bancomer's books, compared with an official minimum of 45 per cent.

"If they had not taken provisions from capital but marked it down as a loss, it would have put them into the red," said Ms Laura Berdeja, an analyst at Santander Investment in Mexico City. "These banks knew that the market was demanding reserve coverage higher than the statutory minimum. Now we are seeing their asset quality under much more realistic guide-

Continuing difficulties weak economy left Bancomer unwilling to expand credit in 1996. The net interest margin fell to 6.13 per cent for the fourth quarter, compared with 6.83 per cent for the third quarter and 8 per cent for a year before.

"We continue to see their net interest margin under pressure," said Ms Berdeja. "The only way the situation will improve is for them to try to improve their funding mix and get some more

The Chicago Board of Trade,

"We are under a lot of traders to revisit the Liffe link," said Mr Patrick Arbor, chairman of the CBOT.

The link offers Liffe exclu-CBOT's flagship US Treawhen the Chicago trading

want the CBOT's electronic trading system, known as Project A, to trade at the same time as Liffe's US Treabusiness with Liffe, pitting open outcry traders against

why Chicago contracts

London's trading floor, when could not comment, as no year as the exchange Project A reaches the same customers at lower costs.

The current agreement requires computer trading to be scaled back and then closed as the floor session develops.

the linkage agreement.

Mr Wigglesworth said he proposal had yet been made. But he said Liffe was "always open to friendly dis-

to keep Project A trading as long as possible each day pled in 1996 and now averbecause profits from it go directly into a corporation that pays dividends to memwhile fees from floor bers trading go into general exchange coffers.

Project A did not exist kerage houses. when the CBOT and Liffe signed a joint venture con-

invested heavily in new soft-

ages 17,000 contracts a night.

the joint venture a success. Liffe has long viewed the

ware and systems that partnership with the CBOT offered access to far more as a means of boosting business at home and abroad at a time when European Monetary Union challenges its

> out of Globex, the electronic system run by the Chicago Mercantile Exchange and Reuters, casting doubts over the future of the trading sys-

Scottish

North

North, one of Australia's

suppliers, is to buy 59.3

per cent of Iron Company

of Canada, the country's

producer, for US\$230m from two US steel groups

Bethlehem Steel and

National Steel, Page 22

largest iron ore pellet

three big iron ore

Scottish Amicable, the UK mutual life insurer, is to press ahead with plans to seek the support of its 1.1m policyholders to change its status. This is in spite of pressure from Abbey National, the UK bank, which last week had its offer of £1_1bn-£1.4bn (\$1.78bn-\$2.26bn) for the

PTT Exploration

PTT Exploration and Production, the publicly listed subsidiary of the Petroleum Authority of and possible petroleum increase in its proven reserves. Page 22

Management

established as one of the wonders of the age. the pattern of cash flows 500 Index fund, while \$6bb

Recent academic analysis Page 25 . _ .

Bancomer | Chicago exchange rethinks Liffe link

the world's busiest futures exchange, is reconsidering its partnership with the London International Financial Futures and Options Exchange, due to start on May

sive rights to trade the

floor is closed. It would also allow dealing in Liffe's bund futures on the CBOT's trading floor after London hours. But some Chicago traders

pressure from electronic sury bond futures session. It could compete strongly for CBOT members are asking

Mr Arbor said he had had informal talks with Mr Jack Wigglesworth, Liffe's chairman, and Mr Daniel Hodson. Liffe's chief executive. He expects soon to make a formal proposal to Liffe to alter cussions with the CBOT". Chicago traders are keen companies and individual traders. Its trading volume quadru-

The number of terminals in use has doubled and 50 wellcapitalised independent traders have signed on to the system, along with 62 bro-By comparison, Liffe says

it needs daily turnover of

existing base of interest rate derivatives. Last week France's Matif exchange said it would pull

Amicable

mutual insurer rejected.

and Production

Thailand, announced a 39: per cent drop in probable reserves over the past six months. The decline was coupled with a 4 per cent

Fund

With mutual fund sales attention has shifted to into the industry. The most talked about shift. last year saw \$95n flow into the Vanguard S&P flowed out of the Fidelity Magellan fund. Page 24

Global Investor

has shown market anomalies which could, in theory, be profitably 🗽 exploited. The Paris-based Intertek consultancy has produced techniques, such as neural networks and genetic algorithms, which can be used to predict short term movements.

Wall Street's banks fatten up for a fight

Payrolls are expanding but higher costs may spell pain

lushed with last people are making a lot of year's success, many Wall Street investment banks have just one goal - a bigger slice of the action in 1997. Lehman Brothers, Salomon Brothers some of those planning to add staff for an onslaught on target areas.

"This is shaping up to be the biggest season ever of musical chairs as firms, loaded with profits from 1996, push to expand and upgrade operations globally," said Mr Scott Page, president of the capital markets group of Solomon-Page, an executive recruitment

The logic advanced by individual investment banks is impeccable; a shift into the dominant group of, say, and chief executive officer. equity underwriters can mean a leap in profits.

However, all these banks, as well as foreign rivals which have been trying to improve their positions in New York, will be adding costs. But no one expects the volume of business to increase much this year. "Some will succeed, but

you will also see overextension and excess investment," said Mr Jerry Kenney, executive vice-president in charge of corporate strategy at Merrill Lynch. "When

money, it's easy to talk big." Merrill plans to add about 1,000 staff this year, though mainly outside the US. Lehman Brothers is target-

ting areas including junk and Goldman Sachs are just bonds, syndicated lending and emerging markets. It expects several hundred recruits, according to Mr John Cecil, chief administrative officer, though these will largely replace staff lost in last year's exit from noncore businesses such as oil

Salomon plans to hire about 100 investment bankers, 80 in the US. "We have been very successful in M&A in the areas where we have coverage, but we need to grow our footprint," said Mr and insurance companies. the record set in 1987, come cheap. Ms Sallie Kraw-talent," said Mr Hilliker, Deryk Maughan, chairman

to 100 staff, in a quest for "greater reach and greater scope" in its core areas, says Mr Jon Corzine, chairman. While Deutsche Morgan Grenfell North America's big recruiting effort has ebbed slightly, it says it expects to hire 300-400 staff in the US alone this year, about half

last year's net total. But US investment banks are not only fighting off foreign rivals, they also face growing competition from US commercial banks

Goldman are among the US Industry Association. Goldman will also add up investment banks building up businesses such as syndicated lending, traditionally the domain of the commercial banks, the likes of Chase

Manhattan are moving into

the securities business.

"I think there is a sense of foreboding about ... who will win out," said Mr Alan Hilliker, a consultant at Egon Zehnder International. an executive search group. Still, the bull market for jobs rages. Last autumn,

employment on Wall Street

While Merrill, Lehman and according to the Securities check, an analyst at Sanford adding that US banks have

ven though Wall Street groups are said ✓ to have awarded. bonuses for 1996 which broadly met high expectations in the hope of ensuring loyalty, executive recruitment consultants say their phones have been even

busier than last year. "People will collect their cheques and extricate themselves in the next three to four weeks," said Mr Page. These middle and seniorexceeded 262,000, breaking ranking executives do not

that investment banks may be increasing their cost base at what may turn out to be

the peak of a bull market. The banks argue employment costs are flexible. Some 1996 bonuses topped \$10m. but they were linked to performance in an exceptional year. Base salaries have

been static in recent years. But many banks nowadays pay guaranteed bonuses. "The one-year guaranteed of the [US] market since the foreign banks began to draw

C. Bernstein, is concerned not given "the three- and four-year guarantees offere by some European banks". With expensive recruits in

place the danger is that banks will fight tooth and nail for any business going, causing margins to shrink. "Last year, firms had the camouflage of frothy times and high margins," said Mr Kenney of Merrill. "Our

internal forecasts suggest this won't last. We will go into a difficult period either

Tracy Corrigan

Leading Advice Worldwide

Japanese lender struggles for survival

Apollo Leasing faces collapse as main backer rejects rescue plan over \$4bn debt

By William Dawkins In Kyoto

Apollo Leasing, a Japanese non-bank lending institution with debts of Y489.7bn (\$4bn) was vesterday struggling for survival after its main backer, Sakura Bank, turned

down a rescue plan.
If Apollo filed for bankruptcy, it would be the eighth collapse of a nonbank - a lender without a license to take deposits from the public - since the start of last year. It could trigger

have lent to Apollo and, as a reminder of the exposure of Japan's leading banks to such institutions, would reinforce the recent collapse in banks' share prices.

Apollo's demise became likely on Saturday after Sakura Bank, a leading commercial bank which at the end of June was owed Y82.7bn by Apollo, refused the nonbank's proposal that creditors should write off 50 per cent of their loans. Apollo

remaining Y50bn of performing loans. Bank officials dismissed the scheme as "unre-alistic" and overly optimistic, and cut Apollo's

credit lines on Friday. This is the latest case of a big bank lender walking away from a non-bank partner rather than bailing it out. It follows last autumn's voluntary liquidation of Nichiel Finance, which became the largest financial collapse since the second

among the many small was to try to repay the rest world war, with debts of as an office equipment and financial institutions that with revenues from its more than Y991bn, after its machine tool rental commain banks refused to continue shouldering the risk.

It is further evidence of a tougher attitude by commercial banks towards the hundreds of non-banks still burdened by bad debts from the late-1980s bubble in property

Apollo's plight follows a common pattern, stemming from the more than 50 per cent fall in property prices since the beginning of the decade. Established in 1972

pany, it diversified into lending to golf course and property developers in the 1980s. By the fiscal year to the end of March, its liabilities exceeded assets by Y45.8bn.

Sakura is understood to have written off most of its loans to Apollo, as has Nippon Credit Bank, another leading lender. Another 112 creditor institutions are exposed to Apollo, including regional banks and agricul-

Malaysian bank mergers called off in policy blow

Managed fund service Money markets FT/S&P-A World indices . New int bond issues FT Guide to currencies Foreign exchanges

COMPANIES IN THIS ISSUE American Airlines

STATISTICS

se lending rates

Company meetings

Apollo Leasing BSky8 Booz-Allen&Hamilton British Airways Canal Plus Chase Manhatta

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Dazhong Taxo Deutsche Bank Dresdner Bank Eagle Star **Elektrim** Eli Lilly

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London share service

Pace Micro Pacific Bank Pacific Gas SKF Salora Bank Salomon Brothers Scottish Amical Sime Darby Sonv Technoplest

Telefónica

Valero Energy

22

PTT Exploration

By Lei Chen in Kuala Lumpur and James Kynge in Singapore Talks on two separate

Malaysian banking mergers have been called off, damaging the central bank's policy of encouraging consolidation in the financial sector to prepare for increased foreign competition. Malaysian Industrial

Development Finance (MIDF), a financial group, said that it no longer intended to sell its 51 per cent stake in Oriental Bank to Sime Darby, which is the country's largest conglomer-Sime had planned to

merge Oriental with Sime

Bank, which late last year

United Malayan Banking.

hoped to boost its earnings

tal, a medium-sized bank, would have increased Sime Bank's network of branches by 41, thereby brightening prospects in a domestic market where a bank's geographical reach is still crucial to earnings.

The other cancelled merger talks were between Pacific Bank, which is also a medium-sized bank, and the Malaysian operations of Singapore's Oversea-Chinese Corporation Banking (OCBC).

The negotiations were hailed as the first in an expected series of Malaysian banking mergers when they were announced last May. Malaysia's central bank has put pressure on an overchanged its name from crowded banking sector to consolidate in preparation

So far, its only success has merge.

The ending of talks is a for regional liberalisation,

setback for Sime, which had expected in the next decade.

and expand overseas. Orien- been a complex union between Rashid Hussain, a diversified brokerage house, its banking affiliate, DCB Bank, and Kwong Yik Bank. a subsidiary of Malaysia's biggest banking group, May-

Banking industry sources said that the OCBC-Pacific Bank merger foundered over the price for OCBC and its subsidiary, The Great Eastern Life Insurance Co. However, Pacific Bank

said in a statement that dis-

cussions on buying the

insurance company would continue. Bankers said that wide spreads between borrowing and lending rates in a booming economy, as well as the prestige accorded to those who own a bank, were two of the main reasons why local banks were resisting

the government's call to

SINVITTANCE & HEINEKEN Henkel CANAL+ £5 billion FFrı billion FF12.5 billion FFst6 billion USS_{1.2} billion alliance with Crédit Commun de Belgique acquisition of UGC DA merger with Royal Insuranc Natural Resources **GSM** Collahuasi US\$us billion A\$350 million financing of Chilean copper deposit Corporation Utilities **@SWALEC** 21.7 billion Los billion £00 billion Sale of acquisition by Welsh Water Scottish Power PELECON DM20 billion international with MCI Reorganisations EQUITAS RAILTRACK Demerger of its Merger of Rothmans structuring & financing of N M Rothschild & Sons Limited Rothschild & Cie Rothschild Inc.

New York

COMPANIES AND FINANCE

Thai oil group reduces estimate of reserves

By Ted Bardacke in Bangkok

PTT Exploration and Production, the publicly listed subsidiary of the stateowned Petroleum Authority of Thailand, announced a 39 per cent drop in probable and possible petroleum reserves over the past six months.

The decline, to 527.7m barrels of oil equivalent from June 1996, was coupled with a 4 per cent increase in its proven reserves to 502m boe from 484.1m boe in June

The sharp fall in probable

and possible reserves is likely to spur a sell-off in PTTEP shares, analysts said. The company, which has announced hefty reserve increases over the past two stake. years, was one of the few

in value during 1996, while the overall Thai market fell more than 30 per cent.

The company attributed the fall to a conversion of some probable and possible reserves to proven reserves; and to a re-evaluation of the geological structures of the Bongkok project, in which PTTEP holds a 40 per cent

PTTEP said its portion of the 870.4m boe recorded by equities listed on the Thai probable and possible feet in June 1996.

the company at the end of stock market to have risen reserves at Bongkok at the end of 1996 was 19.6m barrels of condensate and 1,300bn cubic feet of natural gas, down from 48.5m barrels and 2,630bn cu feet respectively

> The company's portion of proven reserves at Bongkok also fell to 14.2m barrels of crude, down from 21.1m barrels six months ago, and 992.1bn cu feet of natural gas, down from 1,140bn cu

at the end of June 1996.

PTTEP increased to 25m barrels of crude and 123.9bn cu feet of natural gas.

its latest reserves report and Premier of the UK.
does not include the positive The Yetagun field, lo drilling results of Muda-2 in the Andaman Sea, is estiand Muda-3 projects in the Thai-Malaysian joint development area, which were of proven natural gas obtained earlier this month: reserves and an undisclosed nor the reserves that are amount of possible and problikely to be added to able reserves.

Cumulative production by PTTEP's figures as a result at Bongkok of its agreement to take a 14 per cent stake in Burma's Yetagun natural gas project in a venture with Texaco of The company noted that the US, Nippon Oil of Japan.

The Yetagun field, located mated to contain between 1,100bn and 1,400bn cu feet

Falling metals drag MIM into first-half loss

Holdings. Queensland-based mining group, revealed on Friday that it fallen into the red, making an A\$12m (US\$9.2m) loss after tax and abnormal items in the six months to

The result compared with an A\$58.9m profit in the same period of 1995. Revenues were A\$1.12bn, down from A\$1.34bn last time.

MIM again took large writedowns and provisions, totalling A\$150.9m, as an abnormal charge. Among the more significant items were an A\$58m write-down of its obsolete assets at the Hilton mine:

Alcatel Alsthom's Board of Directors met on

January 29, 1997, chaired by Serge Tchuruk,

and was informed of the trends that became

apparent after the preliminary analysis of 1996.

The Group's 1996 sales amounted to FF 162.0 billion,

showing little change over the previous year,

and orders increased by 8% to FF 168.2 billion,

reflecting an improvement in business activity.

1996 was characterized by a significant flow of

contracts in the Telecom sector, which was

maintained during the last months of the year.

Orders in the sector grew by 21% compared to

1995. The undersea cables division recorded

several commercial successes at the end of 1996

and the beginning of 1997, after a period marked

The Group's income from operations should

exceed FF 2.7 billion in 1996 compared to

FF 0.6 billion in 1995, due principally to the

beginning of a recovery in the Telecom sector.

As anticipated, this sector registered a positive

income from operations in the second half.

After taking into account exceptional items, and

in particular, capital gains resulting from the

by a strong slowdown in its market.

and an A\$63.4m write-down of all capitalised pre-production costs at the loss-making McArthur River zinc-lead-silver mine.

Against these, it was able to offset the profit on the sale of its oil and gas assets, and an A\$127.3m write-back of a deferred tax provision. This related to the Newlands coal project and was no longer required. The net abnormal charge was therefore A\$2.2m.

At the operating level, MIM made a tiny A\$2.6m profit, down from A\$53.1m a year earlier. It blamed lower metal prices - notably copper and zinc - and the stronger Australian dollar.

Its core Mount Isa operations

ALCATEL

ALSTHOM

Anticipated 1996 Net Income of approximately FF 2.5 billion

Significant improvement in Income from Operations

time. MIM said price and exchange rate changes had had an "adverse profit effect" of A\$166m.

It remained cautious on the second half, saying metal prices and production costs. But Mr Nick Stump, chief executive, offered some encouragement, saying: "With current copper prices and other movements in the market we are in a stronger position in the second half than we were in the first half." However, the company also had to anticipate further strengthening of the exchange rate.

non-strategic asset disposal program, the

Group's 1996 net income should amount to

1996

These developments, which were announced

last September, are in line with the recovery

plan and confirm the objective of returning to

"Safe Harbor" statement under the Private Securities

Litigation Reform Act of 1995: This press release

contains forward-looking statements relating to the

Group's expectations regarding results for the full year

1996 and the Group's asset disposal program. Such

expectations assume (i) that income from operations

will not be lower than anticipated and (ii) that

operating results will not be affected by unexpected

factors including higher than anticipated costs for 1996.

Actual results could differ materially from the above as

a result of these or other factors.

a satisfactory level of profitability in 1998.

Variation/1995

+ 21%

+ 1%

+ FF 2.1 billion

approximately FF 2.5 billion.

of which Telecom

1996 preliminary results:

Income from operations 2.7

(In French Franc billion)

Net Income

turned in an A\$1.3m operating loss, Highlands Gold, the Australian down from an A\$115.6m profit last mining company has revealed details of the restructuring deal that will create a new resources company, Highlands Pacific. The new company will acquire all the assets and liabilities of Highlands the currency would continue to Gold, other than its 25 per cent vary, and it needed to pursue lower stake in the large Porgera gold stake in the large Porgera gold

mine in Papua New Guinea. The deal has been worked with Placer Dome, the Canadian gold miner. Placer is offering 75 Australian cents a share for Highlands Gold, but is only interested in the Porgera stake.

Highlands Pacific intends to raise A\$190m to fund the acquisition of the remaining assets - prin-

in Papua New Guinea (PNG) -through an issue of 190m shares at A\$1 each. Existing Highlands shareholders

that accept the Placer offer will be

entitled to around 60 per cent of the Highlands Pacific shares on the basis of three new shares for each 10 Highlands Gold shares held. The Highlands Pacific issue is to be jointly underwritten by Merrill

Lynch and Wilson HTM Corporate

A consortium of investors based in Papua New Guinea have pledged to invest up to A\$110m. They are likely to end up with over half the Highlands Pacific equity.

North buys into Canadian group

By Nikki Talt

North, one of Australia's profits US\$31.2m. three big iron ore suppliers. is to buy 59.3 per cent of Iron Company of Canada, the country's largest iron ore pellet producer, for US\$230m.

The sellers are two US steel groups - Bethlehem Steel, which holds 37.6 per cent of ICOC, and National Steel, which holds 21.7 per cent. Under the deal, which is subject to government and regulatory approvals, Bethlehem will receive US\$145m and National about US\$85m. Mr Campbell Anderson, North's managing director, said on Friday the acquisition reflected North's desire to become a global figure in the iron ore industry and to diversify its interests. These are presently concentrated

in Western Australia's Pil-

bara region and supply

mainly Asia. ICOC's largest

markets are in North Amer-

ica and Europe. ICOC produces a higher from grade product more suitable in electric arc steelmaking. Its current output comes from last time's A\$111.9m. from a mine, concentrator and pellet plant in Labrador. cents higher at A\$3.94, with In 1995, production was around 10m tonnes of blast furnace pellets and 5m tonnes of concentrates. ICOC also owns a pellet plant in Sept-Iles, which North hopes

to reactivate. North said there was scope for productivity gains from the existing operations, and that it anticipated a "considerable" reduction in ICOC's 2.400-strong workforce

were US\$407.7m and net

News of the deal came as North reported a 55 per cent increase in profits, after tax and abnormal items, in the six months to end-December, of A\$50m (U\$38.5m). Sales were 18 per cent higher at A\$568.8m. Profits before tax and abnormals increased 29 per cent to A\$108.1m.

The gain came largely from higher contributions from the company's iron ore and uranium interests; and from the Northparkes copper-gold mine, which contributed a A\$11.4m profit, compared with a A\$1.3m loss a year earlier.

The recently acquired Zinkgruvan operation in Sweden made a pre-interest loss of A\$0.9m. although North said prospects were looking better.

ond half should see "improved contributions most of the operations", but that North for the growing technology expected a full-year result "not significantly different" North shares closed 2

Mr Anderson said the sec-

mosts analysts supportive of the deal's rationale, but less convinced about its pricing. • WMC, another Australian mining group, confirmed on Friday that it was interested in the privatisation of Brazil's Companhia Vale do Rio Doce, the world's largest iron ore miner. It said it was talking to various parties about possible consortium

NEWS DIGEST

Générale des Eaux linked with Havas

Speculation was mounting in Parls yesterday that Compagnie Générale des Eaux, the diversified utilities group, might be poised to become the largest shareholder in Havas in a complex deal that would also see the French media company substantially increase its holding in pay TV group Canal Plus.

According to a report in Le Figaro newspaper, Générale des Eaux may move its current 20.4 per cent stake in Canal Plus to Havas; taking that group's interest in the pay TV company to more than 43 per cent. Générale des Eaux would be compensated through a reserved capital increase. In addition, the utilities group would acquire part of the more than 20 per cent interest in Havas held by Alcatel Alsthom, the telecoms and engineering group As a result, the paper said, Générale des Eaux could end up with between 20 and 30 per cent of Havas, valued – at Friday night's FFr405.50 closing price for Havas shares at between FFr5.2bn (\$941m) and FFr7.8bn. None of those

David Owen, Paris

Pacific Gas expands in Texas

involved would comment yesterday.

Pacific Gas & Electric, the biggest US utility, is to buy Valero Energy, a natural gas transmission company in Texas, in an all-share deal valuing Valero at \$722.5m. The deal is the latest in a series of mergers in the US utility industry, triggered by the deregulation of the energy market. Valero, based in San Antonio, operates one petroleum refinery and an 8,000-mile network of gas transmission and gathering lines throughout Texas. It said last year it was seeking a strategic alliance for its gas services business because it did not want to be left alone in an industry dominated by more powerful competitors. Valero shareholders will receive 0.63 PG&E shares for

each Valero share, based on PG&E's closing price of \$22.75 on January 30, and one share in Valero's refining company, which will be spun off prior to the merger and Richard Tomkins, New York listed in New York.

Estonia 'will not devalue'

The Bank of Estonia has strongly denied reports that Estonia would devalue its currency, the kroon, if talks between neighbouring Lithuania and the International Monetary Fund result in the abolition of the Baltic country's currency board. Speculation that Lithuania will shortly abandon its 30-month-old currency board has been mounting since the general election last November when the winning parties pledged to stem the rising trade deficit by scrapping the currency board.

Edward Luce, London

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Earnings tumble at Gillette

Gillette, the US maker of razors and toiletries, saw earnings tumble in the fourth quarter because of costs associated with its \$7bn acquisition of Duracell, the US battery company. But excluding these costs, net profits

would have risen by 13 per cent, the company said. Underlying net profits rose from \$351.2m, or 64 cents a share, to \$397.2m, or 72 cents a share. But the after tax costs incurred in buying Duracell amounted to \$283m, reducing net income to \$114.2m. For the full year, underlying profits rose from \$1.06bn to \$1.23bn. The igures include Duracell's results for both periods.

L'Oréal lifts sales 13%

L'Oréal, the French cosmetics giant which last year displaced Elf Aquitaine, the oil group, as the largest French company in terms of market capitalisation, has reported a 13 per cent advance in annual sales to FFr60.34bn (\$10.92bn). The group said early estimates of 1996 profits were in line with trends outlined last October. It said then that 1996 net profits, before capital gains and losses, but after minority interests, "should advance more strongly than in 1995". Net earnings in 1995 rose 8.3 per

Metallgesellschaft settles

Metallgesellschaft, the German industrial and trading company that almost collapsed in 1994, has reached an out-of-court settlement with its former chairman, Mr Heinz Schimmelbusch. The company will pay him DM1.5m (\$92m) and meet future pension entitlements of DM330,000 a year. The company was suing Mr Schimmelbusch for DM25m for alleged neglect of duty over US oil futures losses that almost bankrupted it. The former chairman was suing Metallgesellschaft and Deutsche Bank (which led the rescue operation) for \$10m Sarah Althaus, Frankfurt

Alcatel Alsthom's 1996 Sales and Orders by Sector Telecom Orders Grew by More than 20%

(in French Franc million)	1996	1995
Telecom	71,152	66,926
Cables	36,409	40,696
GEC Alsthom(1)	29,917	29,384
Systems	23,651	21,163
Batteries Other and	5,025	4,440
Inter-group Sales	(4,1 <i>7</i> 5)	(2,193)

161,979

160,416

By sector, 1996 and 1995 sales break down

(1) Sales of GEC Alsthorn taken at 50%.

Sales in the Telecom sector increased by 6% and orders by 21%. Orders increased by more than 60% in the Transmission and Access divisions where, due to their advances in high-speed communication technology, many contracts were awarded, notably in the United States and with new operators. The Mobile Communications and Radio, Space and Defense divisions both registered close to a 40% increase in orders.

The Cables sector sales decreased by 10%. On a comparable basis, with constant copper prices, sales declined by only 3%. This decrease is due

to the undersea cable activities which, after a slowdown period, is today experiencing a clear improvement in its outlook with the recent announcement of several major contracts for undersea links. 1996 was particularly satisfactory for fiber optic telecommunication cables, accessories for mobile communications and data communication cables, where the markets are growing rapidly.

GEC Alsthom's sales increased by 2% and include AEG's power transmission and distribution activities for the last quarter of 1996. Sales in the Power Generation division reflected the low level of orders received for power stations during the previous years. However, GEC Alsthom's orders grew significantly in 1996 due to major power generation contracts and to the success obtained in transport activities, including the high-speed train in North America.

The Systems sector registered a 12% increase in sales, half of which is attributed to the integration of AEG's systems and automation activities during the last quarter.

INVESTOR RELATIONS: Tel (33.1) 40 76 10 68 - Fax (33.1) 40 76 14 05 - Email:http://www.alcalel.com/

Dazhong Taxi takes diversion The challenge for inter-Nevertheless, brokers are

national investors in China is finding the vehicle that will harness the country's staggering economic growth but will steer clear of the potholes in the

Until recently, Shanghai Dazhong Taxi seemed just such a stock.

The company, which operates the second-largest fleet of taxis in Shanghai, was a popular proxy for the annual 13 per cent GDP growth and surging disposable income in China's largest city.

Mr John Crossman, general manager of Jardine Fleming, the securities house, explains: "As little as three years ago, it was only foreigners that took taxis. For locals, getting in a taxi was a special event.

"Today, you see Shanghainese jumping in and out of taxis. So Dazhong has been a very good bet on the rising per capita income in Shang-hai," he says. Now, Dazhong Taxi is

expanding into property development, tourism and financial services. A company representative

said: "In five years, Dazhong Taxi will be a conglomerate, with transport at its core, but including other pillar industries: tourism and commercial trading, finance and insurance and real estate."

The company, which is listed on the Shanghal stock market, this month gave first estimates of net profits at Yn110m (\$13.3m) in 1996, up from Yn100.8m in 1995. These have been driven by its core taxi business.



Shanghai's taxi market shows scope for consolidation

Dazhong's However, long-term strategy is to scale down the taxi operation as a percentage of revenues and build up the other arms of the business.

In March, Dazhong Mansions will open in west Shanghai, offering office space for renting, a hotel, restaurants, a bowling alley and other facilities to be managed by Dazhong Taxi.

This year, Dazhong also plans to expand its tourism operation, running an air ticketing service to capitalise on the growing market for overseas travel.

Dazhong has had a successful record in the non-life insurance business since 1995, and is looking to expand into life insurance in a joint venture with a foreign partner, if it wins approval from the central government this year. The diversification poses

investors. One analyst said he is instinctively uneasy about "the socialist predilection for increasing fixed assets". He judges property "a risky bet in Shanghai, where the market looks basically flat".

new questions for foreign

hesitating to sell the stock. They are choosing to wait and see on a company with a good management record. They say it has little choice but to expand outside its taxi business. Last year, Shanghai's municipal government responded to chronic traffic

problems by banning the issue of new taxi licences – a move that encouraged diversification and meant Dazhong's taxi fleet can only grow through acquisition. In Shanghai's fragmented taxi market - there are more than 500 companies operating a total of 37,000 taxis there is certainly scope for consolidation.

Dazhong plans to buy up other cars and licences, increasing its number of taxis from 1,800 at the end of 1996 to 2,100 by the end of this year.
It also aims to boost reve-

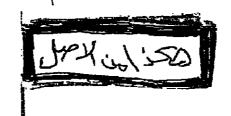
nue by increasing the num-ber of cars using the more expensive two-drivers, one-

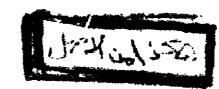
car licence In addition, it plans to establish a passenger bus route between Shangbai and Nanjing, the old capital. 300km west of Shanghai.

Dazhong is fundamentally broadening its interests.
"The company has had no choice but to grow outside the mainline taxi business." says Mr Bruce Richardson.

head of stockbrokers HG Asia in Shanghai. "The question is whether Dazhong can manage its diversification."

James Harding





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MONDAY FEBRUARY

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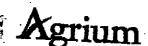
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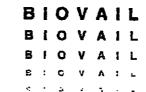








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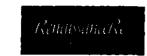






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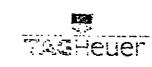


SGL CARBON AG



















More and more, the world is turning to the equities marketplace.

Last year, 59 world-class companies from outside the U.S. listed on the New York Stock Exchange. That brings the total to 290 companies from 42 countries with a combined market capitalization of \$2.5 trillion. While this was a record year, the real news is that more and more, the world's best companies are discovering equity capital to grow their business. And are turning to us, the widest and deepest equities marketplace, to do it.



Eagle Star to set up garage

By Christopher Adams, Insurance Correspondent

Eagle Star, the insurance which has one of the biggest said Mr Chris Dore, personal subsidiary of BAT Indus-direct writing operations in claims manager. He declined tries, the tobacco and financial services group, is to diversify into motor repairs

If successful, the garage will help control claims hanthe motor insurance market. The company will continue to use a network of author-

make sure we meet customer dling costs for Eagle Star. needs and control costs, said Mr Chris Dore, personal to say if the company planned more garages.

Motor insurance has become increasingly compet-

"We're running a pilot to Scotland, set up in 1985 the like brokers, whose market first operation to sell share has fallen. To cope with the impact insurance over the tele-

on profitability, motor insur-New entrants have flooded ers are seeking ways in in following its example and which they can reduce costs rates have tumbled. Direct or add new earnings insurers have typically streams. Some already sell

offered insurance on cheaper household and travel insurby setting up its own garage ised garages to service in the West Midlands of the nearly 1m personal motor itive since Direct Line, terms than companies sell- ance and a few are considerowned by the Royal Bank of ing through intermediaries ing pet insurance.

Israeli group to make London debut

Technoplast, the plastic in New York and in London. mouldings group, will The group came to the Tel operating profit has risen become the first Israeli com- Aviv market in 1993, but from nil in 1992 to £1.3m for pany with a full London list- said the Israeli capital maring when it comes to the ket was so illiquid that it market in mid-February was difficult to raise funds its output to ZAG industries, through a placing worth up there and its shares, with a the fast-growing Israeli

stock quoted both on Nasdaq The group came to the Tel market value of about £21m, The flotation will make were under-valued.

Sales have trebled in the past five years to an estimated £11.5m in 1996, and operating profit has risen the first nine months of 1996. Technoplast supplies half design and marketing group

daq float in November. New shares will be issued by the public and the rest by on a p/e ratio of 12, based on three investment funds. prospective 1996 figures to be published in March, and will take Technoplast's mar-

ket capitalisation to more than £35m. Some 62 per cent of exist-

chief executive, 16 per cent Henderson Crosthwaite is

sponsoring the issue, which is being underwritten by Guinness Mahon. Technoplast's financial adviser in Israel is Poalim Capital Maring shares are owned by the kets and Investments.

Notice of Meeting of Bondholders

which has seen its shares

John Mowlem & Company PLC

£50.000.000

11½ per cent. Guaranteed Bonds due 2013

NOTICE IS HEREBY GIVEN that a meeting of the holders of the Bonds (the "Bondholders") will be held at Kleinwort Benson Limited, 20 Fenchurch Street, London EC3 on Tuesday, 25 February, 1997 at 9.30 a.m. (London time) for the purpose of considering and, it thought fit, possing the resolution set out below, which will be proposed as an Extraordinary Resolution in accordance with the provisions of the a.m. (London time) for the purpose of considering and, it thought fil, pass st Deed dated 27 May, 1958 and constituting the Bonds (the "Trust Deed").

Proposal John Mowlem & Company PLC (the "Company") announced last September that it was considering a partial flotation of its Access Products and Services business. As a consequence, the Company is making a

proposal to the Bondholders.

A meeting of the Bondholders was held on 19 December, 1996 and was, with the consent of the Bondholders present, adjourned without a fixed date. The Company is now seeking the approval of Bondholders to a modified proposal for the redemption of all of the Bonds. This modified proposal involves both an obligation on the Company to redeem the Bonds upon a divestment of an interest in SCB Group pilc or one of certain subsidiaries of SCB Group pilc, and an option for the Company to redeem the Bonds by giving notice on or prior to 31 July, 1997. In each case the Bonds would be redeemed not later than 11 August, 1997 at the higher of par and a price reflecting a spread over the gross redemption yield of the 9 per cent. Treasury Stock 2012, together with interest accrued during the period from the then most recent interest

1997 at the higher of par and a price reflecting a spread over the gross redemption yield of the 9 per cent. Treasury Stock 2012, together with interest accrued during the period from the then most recent interest payment date to the redemption date.

The Extraordinary Resolution set out below, if duly passed, will approve the making of amendments to the conditions of the Bonds (the "Conditions") and to the Trust Deed in order to facilitate such redemption and such divestment. Paragraph 1 of the resolution provides for the addition, in the Condition relating to redemption, of two additional redemption events. The first is an obligation on the Company to redeem all the Bonds one London Business Day after an "SGB Disposal" occurs (provided it occurs on or before 31 July, 1997) and for this purpose to pay the necessary moneys to the principal paying agent on the day on which the SGB Disposal occurs. The second is a right for the Company to redeem all the Bonds by giving at least four and not more than seven London Business Days' notice to Bondholders, such notice to be given on or before 31 July, 1997; this right to redeem is not linked to an SGB Disposal.

Paragraph 1 also sets out the redemption price formula which applies to each such redemption event. The Company will notify the London Stock Exchange, on the London Business Day prior to the day on which the gross redemption yields are calculated for the purpose of the redemption price, of its intention to make such calculation on the next London Business Day.

An "SGB Disposal" is defined in paragraph 2.1 of the resolution, to which reference should be made: very broadly, it means the beneficial ownership of all or any part of the equity share capital of any of certain specified companies passing outside the John Mowlem Group.

Paragraph 3.0 the resolution have the effect, during the period between an SGB Disposal happening and the actual redemption of the Bonds on the next London Business Day, of amending the borrowings covenants and the disposals restriction

Paragraph 4 of the resolution provides that the guarantee of the Bonds given by SGB Group plc (which is one of the two Guaranters of the Bonds) will be released with effect from the time when the redemption

range from the Bonds have been paid in full to the principal paying agent.

If the Extraordinary Resolution is passed and the divestment is intended to be carried out, notice will be given to the Trustee and a notice of intention to redeem Isubject to the divestment on the Financial Times between three and five London Business Days prior to the proposed divestment date, specifying the likely redemption date and explaining the processor to the London Business Day after the divestment has taken place a further notice will be published in the Financial Times confirming that this has happened. The divestment all life the divestment has taken place a further notice will be published in the Financial Times confirming that this has happened. The divestment all life the divestment has been placed a further notice will be published in the Financial Times confirming that this has happened. The divestment has the placed a further notice will be published in the Financial Times confirming that this has happened. The divestment has the placed a further notice will be published in the Financial Times confirming that this has happened. The divestment has the placed a further notice will be published in the Financial Times confirming that this has happened. The divestment has the placed a further notice will be published in the Financial Times confirming that this has happened.

If the Extraordinary Resolution is passed and the Company gives notice of optional redemption prior to (or without) an SGB Disposal occurring, the Bonds will be redeemed on the expiry of such notice, which will be at least four and not more than seven London Business Days after it was given.

Bondholders are requested either to attend this meeting in person or to arrange as soon as possible to be represented at it. Further information on the steps to be taken is contained under "Attendance and Voting"

Extraordinary Resolution

"THAT thus Meeting of the holders of the 11% per cent. Guaranteed Bonds due 2013 (the "Bonds") of John Mowlem & Company PLC (the "Company") constituted by a Trust Deed dated 27 May, 1988 and made between the Company of the first part, Mowlem Technology Limited of the second part, SGB Group plc of the third part and The Prudential Assurance Company Limited of the fourth part (the "Trust Deed")

"(AA) Mandatory Redemption upon SGB Disposal
It an SGB Disposal occurs on or prior to 31 July, 1997, the Company shall redeem all, but not some only, of the Bonds in accordance with Condition 5(AC) on the day (the "Redemption Date") which is one London Business Day after the day on which the SGB Disposal occurred (the "SGB Disposal Date") and for this purpose the Company shall by not later than 12 noon (London time) on the SGB Disposal Date pay to the Principal Paying Agent the amount necessary to redeem the Bonds as aforesaid, together with accrued interest, on the Redemption Date. The Company shall, not less than three nor more than five London Business Days prior to an expected SGB Disposal Date which would occur on or prior to 31 July, 1997, give notice to the Bondholders (in accordance with Condition 13) and to the Trustee that an SGB Disposal is intended to occur on a specified date and that, subject to the actual occurrence of that SGB Disposal, the Bonds will be redeemed on another specified date (being one London Business Day after the date so specified for the intended SGB Disposal). On the London Business Day immediately following an SGB Disposal Date which occurs on or prior to 31 July, 1997, the Company shall give notice to the Bondholders (in accordance with Condition 13) and to the Trustee that the SGB Disposal has occurred and that the Bonds are being redeemed on that days.

on institudy.

(AB) Optional Redemption by Notice given on or before 31 July, 1997

The Company may, by giving not less than four nor more than seven London Business Days' notice to the Bondholders (in accordance with Condition 13) and to the Trustee, any such notice to be given not later than 31 July, 1997, redeem all, but not some only, of the Bonds in accordance with Condition 5(AC). Upon the exptry of such notice (which shall be irrevocable), the Company shall be bound so to redeem the Bonds on the date of such expiry.

(AC) Price upon Early Redemption
In any redemption pursuant to Condition 5(AA) or Condition 5(AB), the Bonds shall be redeemed at the higher of (a) par and (b) that price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded down), at which the Gross Redemption Yield on the Bonds, if they were to be purchased at such price on the Relevant Day, would be equal to 2.2% (two and one quarter per cent.) per annum above the Gross Redemption Yield on the Relevant Day of the 9 per cent. Treasury Stock, 2012 (or, if such stock is no longer in issue, such other United Kingdom Government stock as the Institute, with the advice of three leading brokers operating in the gill-edged market and/or gill-edged market makers as may be selected by it in its absolute discretion, shall determine to be appropriate) (the "Reference Stock,") on the basis of the middle market price of the Reference Stock, prevailing at 11.00 a.m. (London time) on the Reference Stock will be expressed as a percentage and will be calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries, Vol. 105, Part 1, 1978, page 18 (or on such other basis as the Trustee may in its absolute discretion approve). The "Relevant Day" is, in the case of a redemption pursuant to Condition S(AA), the London Business Day immediately preceding the SCB Disposal Date (as defined in Condition S(AA)) or, in the case of a redemption pursuant to Condition S(AA), the London Business Day immediately preceding the SCB Disposal Date (as defined in Condition S(AA) or, in the case of a redemption pursuant to Condition S(AB), the seventh Dondon Business Day immediately preceding the SCB Disposal Date (as defined in Condition S(AB)) or in the case of a redemption pursuant to Condition S(AB), the seventh Dondon Stock Exchange Limited that the next London Business Day will be the day on which the Bonds are to be redeemed.

The Company shall on th

The obligation in Clause 12(D)(xvvx) of the Trust Deed to give earlier notice to the Trustee of a proposed redemption shall not apply to a redemption pursuant to Condition 5(AA) or Condition

inserting in Clause I(A). In the correct alphabetical sequence, the following additional definitions:

"London Business Day" means a day tother than a Saturday, a Sunday or a day which shall be in London a legal holiday) on which banks generally are open for business in the City of London and on which dealings in domestic securities may take place or and with the authority of London Stock Exchange Umited;

"Relevant SGB Company" means any of SGB Group pic (registered number 164238) ("SGB"). SHL and SSP and any other holding company of SHL or SSP (other than the Company's "SGB Disposal" means all or any of the issued equity share capital of any Relevant SGB Company coming into the beneficial ownership of a person or persons not being a member or members of the Group;

"SHL" means SGB Holdings I initial (Institute I in

"SHL" means SGB Holdings Limited (registered number 947915);
"SSI" means SGB Services plc (registered number 276562);

"SSF" means SCB Services plc (registered number 276502);
adding at the end of Clause 12(A) a new paragraph as follows:
"For the purposes of sub-paragraphs (I), (II) and (III) above, if an SGB Disposal occurs on or before 31 July, 1997, then during the period ending on the close of business on the first London Business
Day after that SGB Disposal has occurred It shall be assumed (if it is not actually the case) that the SGB Disposal Companies are not Subsidiaries and are not and were not consolidated with the
Company for the purposes of the Companies shall be treated as an investment and the net proceeds of the SGB Disposal received or receivable by the Group shall be treated as an asset of the Group. For this purpose "SGB Disposal Companies" means the Relevant
SGB Company which was the subject of the SGB Disposal and all the subsidiaries of that Relevant SGB Company."; and
in the paragraph (a) which follows sub-paragraph (b):

12.3 In the paragraph (a) the sub-paragraph (b):

13.4 All no SGB Disposal which occurs on or prior to 31 July 1997.

ing after such sub-sub-paragraph (6):

(7) It and for so long as there is no breach of Condition 5(AA)) an SCB Disposal which occurs on or prior to 31 July, 1997;

rises and requests the Trustee forthwith to execute a supplemental trust deed in the form of the draft produced to the meeting and tor the purposes of identification signed by the Chairman of this ng with such amendments thereto as the Trustee may approve or agree with the Company and to concur in and execute and do all such documents, acts and things as the Trustee may consider to be sary, expedient or desirable to effect the modifications and amendments set out in 1 and 2 above and the release in 4 below; and

necessary, expecient or destrative to effect the modifications and amendments set out in 1 and 2 above and the release in 4 below; and authorises the Trustee forthwith to execute, and to require the Company and the Guarantors to execute and deliver to the Trustee and to procure the execution and delivery by the Paying Agents to the Trustee of, such documents (whether or not in addition to the supplemental trust deed) as may in the Trustee's opinion be necessary, expedient or desirable for the purpose of (a) releasing SGB from all its obligations under the Trust Deed, the Bonds and the Coupons with effect from the day on which the full amount of the moneys necessary for the redemption of all the Bonds in accordance with the Trust Deed (as amended pursuant to this resolution and by the supplemental trust deed) depether with accurated interest to the date or redemption is unconditionally paid to the Principal Agent (and this release shall be made without requiring the conditions set out in the proviso to Clause 15(E) of the Trust Deed to be satisfied) and (b) effecting redemption of the Bonds together with accuraced interest, assions defined in the Bonds or in the Trust Deed shall have the same meanings when used in this resolution."

Attendance and Voting

Attendance and Voting

A Bondholder who wishes to attend and vote at the meeting in person must produce at the meeting either his Bondis) or a voting certificate issued in accordance with paragraph 1 of the Third Schedule to the Trust Deed. A voting certificate can be obtained from any of the Paying Agents specified below if the relevant Bondis) are first deposited with that Paying Agent A Bondholder who does not wish to attend and vote at the meeting in person but nevertheless wishes to be represented at it must either (a) arrange for his Bondis) to be delivered, or a voting certificate to be issued, to someone else who will attend the meeting and vote on his behalf or (b) arrange for a vote to be east by a proxy appointed under a block voting instruction resuled in accordance with paragraph 1 of the Third Schedule to the Trust Deed. A block, voting instruction can be issued by any of the Paying Agents specified below if the relevant Bondis) are first deposited with any Paying Agent for the purpose of obtaining voting certificates or appointing provings until 49 hours before the time fived for the meeting flut not thereather. A Bondholder who holds Bondis) through Euroclear or Cedel Bank and who wishes to arrange for those Bondis) to be held to the order of a Paying Agent for the purposes of the meeting must make arrangements with, and in the manner stipulated by. Euroclear or Cedel Bank, as the case may be, so as to have the Bondis) held to the order of a Paying Agent for the purposes of the meeting in the aggregate the holders of not less than a clear majority of the principal amount of the Bonds for the time being outstanding. If a quorum is not present at the meeting the inquorate meeting will be adjourned and the resolution intended to be put to the inquorate meeting will be adjourned and the resolution intended to be put to the inquorate meeting provides, whatever the principal amount of the Bonds for the time being outstanding. If a quorum is not present at the meeting the inquorate meeting will be adjo

The Trustee In accordance with normal practice, the Trustee for the Bondholders. The Prudential Assurance Company Limited, expresses no opinion as to the ments of the proposal set out in this notice. It has, however, authorised it to be stated that, on the basis of the information contained in this notice, it has no objection to the form in which the proposal is presented to Bondholders for their consideration. The Trustee has also given and has not withdrawn its written consent to the issue of this notice with the inclusion of its name in the form and context in which it appears.

The Trust Deed

Copies of the Trust Deed (including the terms and conditions of the Bonds) and a draft (subject to modification) of the supplemental trust deed reterred to in the Extraordinary Resolution set out in this notice are available for inspection by Bondholders at the specified offices of the Paying Agents set out below and at the office of the Trustee. The Prudential Assurance Company Limited. 142 Holborn Bars, London ECIN 2NH.

Market Price of the Bonds 31 July 1996 30 August 1996 30 September 1996 31 October 1996 29 November 1996 31 December 1996 28 January 1997 89.57". 92.54" 94.86% 101.25% 100.38% 100.31%

dholde	rs should be aware that these p	rices are indicative on	ly. The Bonds are rare	ly traded and no liquid	l market exists.								
	Gross Redemption Yield of the 9% Treasury Stock 2012												
	Date	31 July 1996	30 August 1996	30 September 1996	31 October 1996	29 November 1996	31 December 1996	28 January 1997					
	Gross Redemption Yield	8.153/6	8.146%	7.952%	7.875%	7.534%	7.647%	7.655*.					

Between 1 January, 1996 and 28 January, 1997, the highest Gross Redemption Yield ("GRY") on the ⁹ per cent. Treasury Stock 2012 ("912012") was 8.440 per cent. (semi annual) and the lowest was 7.493 per cent. (semi annual).

At the close of business on 26 January, 1997 the GRY on the 912012 was 7.655 per cent. (semi annual). Assuming that the proposed redemption was based on that GRY, the redemption price of the Bonds at the proposed redemption spread would be 110.43 per cent. of par.

Using the highest GRY prevailing between 1 January, 1996 and 28 January, 1997, the redemption price on 28 January, 1997 would have been 103.77 per cent. of par and using the lowest GRY, the redemption price on 28 January, 1997 would have been 111.89 per cent. of par.

No director of the Company has any interest in any of the Bonds.

Date

Market Price

Principal Paying Agent Kredietbank S.A. Luxembourg 43 Boulevard Roval Luxembourg L-2955

Paying Agents Paying Agent Kredietbank N.V.

Paying Agent Kredletbank N.V. 7th Floor, Exchange House mrose Street, London EC2A 2HQ

Dated: 3 February, 1997

Given by: John Mowlem & Company PLC THIS NOTICE IS IMPORTANT. IF BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE IN RESPECT OF ANY ASPECT OF THE EXTRAORDINARY RESOLUTION THEY SHOULD CONSULT THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

Scottish Amicable to press ahead with plans

By Edward Luce and Christopher Brown-Humes

Scottish Amicable, the UK mutual life insurer, yesterday said it would press ahead with plans to seek the support of its 1.1m policyholders to change its status in spite of pressure from Abbey National, the UK bank, for it to withdraw the proposal.

Abbey National is expected to trigger a bidding war for the mutual insurer after its offer of £1.1bn-£1.4bn (\$2.26bn) was last week rejected by directors of Scottish Amicable.

through, Scottish Amicable would require 75 per cent of policyholders choosing to vote for its proposal. If successful, Abbey

Scottish Amicable's plans to shed its mutual status ahead

three to five years.

In order for its plans to go financial details.

tion."

Surely the directors of that a successful bidder groups.

stop the clock and let the £1.5bn and £3bn. best offer win," said Ms Jane Ageros, director of corporate affairs at Abbey National. yesterday. "We think it would be unfair to their policyholders to send out the document before they are in possession of full informa-

Scottish Amicable has attracted criticism for offering a windfall of just £75m to its shareholders compared to Abbey National's offer of an immediate cash pay-out of £400m. Abbey National yesterday confirmed that the possibly this week £400m was only a "minimum offer" which could be raised once it gets access to the full

Scottish Amicable denied yesterday that the group was resigned to losing its inde-National's bid would derail pendence or that it had Scottish Amicable's plans to placed an unofficial reserve price on itself ahead of an of a £1bn-£1.5bn flotation in auction. But Union Banque

A group adviser said "the

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decision is to press on and get our circular out to policyholders at the end of this week. Ours is the only firm proposal on the table We believe policyholders will focus on what is at stake in the long-term rather than what is on offer today."

Scottish Amicable's decision to push on with the directors' plan comes amid growing speculation that other potential bidders will throw their hat into the ring,

Halifax, the UK building society, which, is thought to be interested in bidding. would not comment on its intentions.

Other companies believed to be interested in Scottish Amicable are National Westminster Bank, Prudential and Commercial Union, the UK insurers, and Fortis and Suisse last week calculated Aegon, the Dutch insurance

Scotia to hive off its nutritional products side

By Clive Cookson and Daniel Green

biotechnology company, is tional products business into a separate company within

mol Nutraceuticals. Although there are no

immediate plans to sell off trials. all or part of Efamol, the restructuring is bound to such a move in the longer

burn" of about £24m (\$38.9m) moved into nutritional oils. this year, through spending on research, development. sales and administration.

With cash reserves little more than £30m, according to securities house Dresdner Kleinwort Benson, the com- joined Scotia in October 1995 1997 through asset sales, a "downward spiral" has been commands a good price.

rights issue or large reversed and nutritional licensing deals. Efamol was the original

hiving off its Efamol nutri- David Horrobin, who is now chief executive. He used cash flow from sales of Efathe group.

In a related move, it is setting up a US subsidiary. Efament of prescription drugs. mol evening primrose oil to several of which are now on the market or in clinical

But during the mid-1990s sales of Efamol products increase speculation about declined, as Scotia's management focused on the drugs business, and competitors, Scotia, which is one of the such as Roche of Switzerland biggest UK biotech compa- and Merck of Germany's nies, will have a net "cash Seven Seas subsidiary.

> The most recent Scotia accounts show a fall in nutritional sales from £4.4m to £3.8m in the six months to June 30 1996.

sales are now increasing. The company is particu-

Scotia, the oldest UK heart of the Scotia group larly excited by the prosfounded 20 years ago by Dr pects for Efalex, a patented blend of tuna oil, evening primrose oil, thyme oil and vitamin E, launched last year "to help maintain brain and eye function".

Mr Barber says Efalex will spearhead the new business in the US, where it has already aroused a lot of interest. The business plan includes direct marketing to US consumers and health professionals for the first

Under the restructuring, the Efamol company based in Guildford will be responsible for operations such as production, with which Sco-

tia has previously dealt. Scotia may find it difficult to answer its cash needs through the sale of all or Mr Michael Barber, who part of the Nutraceuticals side. The business is likely pany is likely to want to as managing director of the to take some time to restore raise money by the end of Efamol business, says the to the kind of condition that

Shift in fortunes sparks bid chatter

John Authers analyses US mutual fund flows

in more money than ever last year. This week it was confirmed that it took in \$324.9bn in net new cash funds (\$46.5bn). flow (new investments

minus redemptions). But with mutual fund sales established as one of the wonders of the age, attention has shifted to the nattern of cash flows into the industry, and attempts to gauge which companies attracted the most money. Many now seem attractive acquisition targets.

The most talked about shift in fortunes last year saw almost \$9bn flow into the Vanguard S&P 500 Index fund, which attempts merely to match the performance of the index, while almost \$6bn flowed out of the Fidelity Magellan fund, which remained the largest overall. Magellan's difficulties were the prime reason for Fidelity's overall sales falling behind those of Vanguard, although much of the money leaving Magellan went to other Fidelity funds.

Away from the giants, the fastest growth was recorded by PBHG which held \$2.9bn in assets under management at the beginning of the year. It attracted \$6.6bn during fastest growing manager, and putting its sales, although not its total assets, in the industry top 10. The company attributed

this performance almost entirely to the high ratings it received in performance rankings. A report in midyear by Lipper Analytical Services ranked PBHG's fund first over both five and 10 years. It also benefited from a decision to upgrade dency to direct their funds towards managers who showed strong performance.

They also opted for the relatively high risk asset cate-

veryone already knew tute, equity growth and a San Francisco investment that the US mutual income funds attracted the bank, last year saw a notice-afund industry pulled most new cash last year, able increase in prices using with \$65.1bn, followed by the main valuation measure. "aggressive growth" funds (\$55.8bn), and equity growth

> flows, with \$8.94bn flowing panies last year was 2.4 per out of government bonds. and \$4.79bn out of mortgagebacked "Ginnie Mae" bonds. However, high yield or "junk" bonds confirmed the wington suggests this is a trend towards relatively poor measure, which is only high risk investments. attracting \$12.3bn.

At a corporate level, most fund sales are independent of the largest banks and securities houses, helping to intensify speculation that this year will see more mergers and acquisitions.

FUND MANAGEMENT

The biggest concentrations of assets will be staying where they are. Fidelity, still built on a different scale from any of its competitors with \$453bn in assets under management, is privately held. Vanguard, which made the most new sales this year 1996, making it by far the and ranks second overall in assets with \$246bn, has a mutual structure, with each fund owning a share of the is likely to benefit from the management company. Put- growing number of post-war nam Investments, with the second largest sales, is now approaching retirement owned by Marsh & McLen-nan, the international insur-ance brokeress with the second largest US bank, heads the

smaller mutual fund companies will have noticed that sidering an acquisition to last year's huge fund flows strengthen the bank's range its marketing operation and will increase the price they from investors' strong tenmarket. Pricing in any case is contentious, as many may be generated within the quoted_

Investment Company Insti- Putnam Lovell & Thornton, ent companies.

which is proportion of total assets under management.

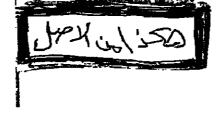
On this measure, the aver-Bond funds saw heavy out- age price paid for fund comcent of assets - a distinct rise on the previous year, reflecting the strength of the market. However, Mr Breused because it is easily calculated, and there is a relative scarcity of information of the leaders in mutual about management companies. Its most serious flaw is that different asset classes attract varying management fees and profit margins.

He suggests that fund managers should be valued on the earnings or cash flow multiple, with acquisition prices falling within a range of 8 to 10 times earnings.

There are plenty of poten tial acquirers, both in the US and overseas. Several US commercial banks now believe that fund management, with its predictable incomes and currently growing profit margins, offers a good ballast for their earnings which is less susceptible to changes in economic conditions than their core lending businesses. In particular, many are attracted by the strong demographic features of the business, which "baby-boomers" who are ance brokerage, which has field of possible acquirers, little or no incentive to sell.

But managements of executive, telling analysts smaller mutual fund compalist month that he was conof retirement savings prod-But the greatest activity

managers are not publicly industry. There is great According to Mr Bruce scope for consolidation, with almost 6,000 different funds. gorles. According to the Brewington, an analyst with managed by about 350 differ-



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MONDAY FEBRUARY 3

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ING BARINGS

ING BANK At Home in Emerging and Capital Markets ING BARINGS

Global Investor / Philip Coggan

Algorithms — this year's model?

looking for an edge, a wonder system for analysing the financial markets which will provide superior

The problem has been, of course, that in classical theory, the markets are so efficient that such a search is doomed to failure.

However, while efficient market theory certainly can help explain why so many fund managers repeatedly fail to beat the indices, it fails to square with most people's "common sense" view of the world. How, for example, does it cope with bubbles like the Tokyo market in the late 1980s, or with the consistent outperformance of Warren Buffett?

Recent academic analysis, with the help of high-powered computers and high fre-

COMPANY RESULTS DUE

quency data, has shown homogeneous individuals, rithms, which can be used to can be hoped for from these munity is always market anomalies which who do not share the same could, in theory, be profitably exploited. For example, the distribution of market movements does not conform to a traditional "hell curve" but displays instead "fat tails" - periods of and under constraints." higher than normal volatil-

> A new book*, written by partners of the Paris-based they have not developed an Intertek consultancy, looks at the progress made, both in theory and in practice. towards producing a usable model of the markets. Some of the theoretical foundations of efficient market the interviewees simply feel that ory are being demolished.

For example, efficient market theory requires perfectly informed investors with the same aim of maximising

time horizons, risk profile or motivation. "Market participants do not make perfect all-encompassing evaluations of risk and return, but act on imperfect knowledge

But while academics seem

to have decided the market does contain inefficiencies. all-encompassing theory to explain why asset prices move as they do. Chaos theory may have entered into popular parlance but the authors report that "most the theory is conceptually too complex to find much application in finance

today". Instead, they have concen-Modest goals, such as profits. In fact as the authors trated on producing adaptive improving the performance suggest, market participants techniques, such as neural of the average trader, is are hetero- rather than networks and genetic algo- probably about as much as head of the quantitative associate professor of eco-

predict short term move- models in the short term. ments. These match a gener- Most academics point out that "earning excess returns alised model to past data and then constantly shift it to is not easy; the market is reflect new information. quite efficient, non-linear Neural networks attempt relationships are difficult to to mimic the learning proascertain and patterns, once

discovered, tend to go

niques based on the laws of There are also dangers. The book records that Dr No-one has yet produced Norman Packard of the Prethe miracle model which will diction Company, which proreplace George Soros. The authors report that First Quadrant, a California-based Corporation, says the main group, have found that problem is not the statistical genetic algorithms improve success of forecasting but their performance by 50 the variance of predictions. basis points a year, which "In other words, one can cerwould be extremely useful if maintained over the longer time, but the residual risk local losses might

away."

Share price relative to the

exceed credit limits is still

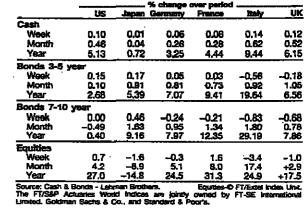
Nikkei 225 Average (1000)

<u>[.] . [.] .] .] .] .] .] . [] . </u>

research and trading group at Chemical Bank in Londuces computer-based fore don, remarks that "unless casts for Swiss Bank linked to a sound trading model, it is possible to have a good forecasting model that loses money".

More fundamentally, the swift development of the tainly make money over financial markets may mean that the widespread use of such models alters the nature of the markets themselves. One possibility fore-And Mr Christian Dunis, seen by Mr Blake LeBaron,

Total return in local currency to 30/01/97



nomics at the University of the University College Lonadaptive methods will make markets more efficient, wiping out the last bit of fore-

The chances are, however, that the Holy Grail of the perfect model will remain to the system. out of reach. Just when investors have solved the riddle, the question itself will change. In a more scientific summary, Mr Suran Goonatilake, researcher at

Wisconsin, is that forecast- don computer science ing techniques based on department, believes that whatever modelling approach is taken, it will be valid only for a limited learning procedures cannot handle the constant shocks

> * Modelling the Market: New Theories and Techniques by Sergio Focardi and Caroline Jonas, published by Frank J Fabazzi Associates of Pennsulvania, 215-598-8930.

Compiled By AFX News

Lack of consensus on KLM's third quarter

KLM, the Dutch Airline, will tomorrow report third quarter results to December. Analysts are forecasting a range from a net loss of F121m to a net profit of Fl 24m (\$12.9m) down from profits of Fl 102m a year ago. Mr Thibaud de Guerre, analyst at ING Barings

Research, expects net profit of Fl 12m. Operating profit is likely to fall to Fl 11m (F156m), largely as a result of increases in fuel prices. Mr Hendrik Jan Boer, ana-

lyst at IRIS, is forecasting a **SKF** of Sweden, the third quarter net loss of world's largest manufacturer

fuel costs risen 30 per cent on an annual basts, but there will also be a sharp increase in personnel costs." At the time of its interims,

KLM said it expected fullyear net income to decrease by about Fl 150m, excluding any provisions for costs of its Focus 2000 restructuring programme, aimed at reducing costs by Fl 1bn whileboosting revenue by Fl 500m in the next three years. Net profit in the year to

March 1996 was Fl 547m. Mr Henk Brouwer of Bank Bangert Pontier said that speculation of a possible link between KLM and Swissair lyst sentiment.

FI 21m and an operating loss of roller bearings, is expecof FI 16m. "Not only have ted to report on Thursday pre-tax profits of between SKr2.22bn and SKr2.51bn (\$348m) for 1996, compared with SKr3.33bn in 1995, according to a survey of 21

analysts.

The average market expectation is for profits of SKr2.39bn, according to the survey carried out by SIX Market Estimates. Analysts say the fall is a result of sluggish demand in the European automotive industry and increasing price competition on bearings.

The company warned of price pressure in the third quarter and analysts said aggressive pricing by Japamay be fueling positive ana- nese producers trying to gain market share in European markets had ensured that that pressure had continued.

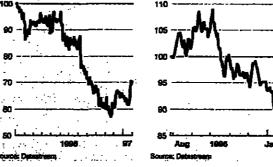
The market will be looking expected to report on INTERNATIONAL EQUITIES By Tom Burgsin Medic

AEX Index

cesses of the human brain;

genetic algorithms use tech-

evolution.



Wednesday pre-tax profits of between Y124.5bn and for evidence of a pick-up in Ruropean demand and for Y130bn (\$1.07bn) for the more details of restructuring measures the company has third quarter to December indicated it will carry out. 31, up from Y73.9bn. Analysts said that along AFX News, Stockholm.

■ Sony Corporation is earnings growth, they will be looking to see whether

to disclose an upward revi- from Y101 a year earlier. sion to its pre-tax profit forecast of Y220bn for the year

Analysts said Sony was likely to have continued to Thursday and investors enjoy firm demand for digital consumer electronics shares' long underperformsuch as camcorders and ance has been justified. Premini-disc products while it tax profits, which were maintained its competitive £951m for 1995, will do well advantage over rivals in to rise above £600m for last areas such as lithium-iron year. All eyes will be on curbatteries and home video game hardware sales. In its entertainment divi-

rise in revenue from licen- such as polyester film, are sing of television programmes, making up for slow revenue growth of the movies division.

in-house exchange rate set at £106.3m. The formation of a

Sony takes the opportunity Y110 for the quarter, down AFX News, Tokyo.

■ Imperial Chemical Industries reports final results on should find out whether the rent trading - whether demand has picked up and whether the prices of raw sion, Sony is likely to see a materials and ICI's products

■ British Sky Broadcasting. the satellite television ven-Above all, however, it will ture, is expected to be the weaker yen that is announce on Wednesday

joint company with Carlton and Granada to bid for the right to launch digital terrestrial television was announced on Friday. The City is now waiting for fur-

ther news on digital satellite television plans and on progress in discussions with film studios and football clubs about pay-per-view televi-■ Pace Micro, the manufac-

turer of digital satellite television receivers, is expected to announce interim profits tomorrow of more than £10m and pay a maiden dividend

The group, which has shot to a market value of about £480m since its June flotation, has carried out trials for digital terrestrial televiwith the expected strong expected to give profits a interim pre-tax profits of sion which is expected to strong lift, with Sony's about £130m, compared with provide further impetus to the market for decoders.

fortunes

Bookbuilding starts today "people's capitalism" has appealing at present with its tions is increased and if the for the Pta600bn (\$4.4bn) arrived in Spain. More than issue of 21 per cent of Tele- im small Spanish investors 15.5-16. The consensus shoe" tranche is routed fónica that will mark the full privatisation of Spain's telecoms operator. The problem facing the global co-ordina-

tors - Morgan Stanley of the US and Telefonica's three financial partners, Banco Bilbao Vizacaya, Argentaria and La Caixa - is how much can be allocated to international institutions. This is a complex question because the prospectus includes a caveat that can significantly alter the structure to favour the home mar-

ket and because Mr Juan

this is exactly the sort of weighting he wants. What is already clear in the final week of the pre-registration period is that the disposal has taken on an unprecedented momentum for domestic markets, prompting talk that have signalled that they

terms.

Villalonga, Telefonica's chairman, has indicated that ing little to sell.

want to buy shares in the operator, double what Telefónica expected. Telefónica has proved an irresistible draw because its

share price has soared in the past months and because small investors are offered a 4 per cent discount on the issue price and a 1-for-20 scrip share if they keep their shares for 12 months. The retail trade is being urged to seize "the last opportunity" to buy stock in "Spain's biggest multinational" at such

cess starts the co-ordinators have reason to worry that although Telefónica stock should also be a clear buy for international institutions, they may end up hav-

among analysts is that its earnings will grow at the next five years. The offer document

No middle ground for Telefónica

reserves 50 per cent of the issue for institutions with a minimum 8 per cent allocated to Spanish institutions. But the prospectus also says this structure can be altered to raise the percentage to 60 per cent if a majority of the co-ordinators agree there is sufficient demand among small Spanish investors. Mr Villalonga, who wants

As the bookbuilding proas many shareholders as possible to ensure client loyalty when the Spanish telecoms market is liberalised at the end of next year, has indicated that he would be delighted if up to 75 per cent weighting is possible if the tranche for domestic institu-This is frustrating because Telefónica is uniquely

towards Spanish investors.

The domestic equity marbetween 16-20 per cent over ket would welcome such a structure as a clear signal that it had come of age in terms of volume. The timing is perfect as domestic funds are both growing fast - the volume of funds under management grew by more than 50 per cent last year to Pta18,700bn - and also, due to falling interest rates, switching rapidly to equity When the allotments are

announced on February 17, will Telefónica and its co-ordinating banks dispense with the stabilising aftermarket presence of a strong international institutional tranche? Such a bold decision admits no middle ground; a 75-25 split will be a is sold in Spain. Such a triumph if the price holds up and a disaster if a lot of stock comes back.

Divestiture of State-Owned Enterprises Gliksten (West Africa) Limited

The Divestiture Implementation Committee (DIC), acting on behalf of the Government of Ghana, has appointed Cal Merchant Bank Limited as consultants to provide advice in connection with, and ultimately to implement the divestiture of Gliksten (West Africa) Limited.

Enterprise Profile

- Gliksten, a timber and wood processing company, has a large concession of over 1,000 square kilometres located in the Western Region of Ghana. It started operations in 1947 at Sefwi-Wiawso, as a logging firm.
- The company now operates a sawmill and plymill producing lumber, veneer and plywood for the local market and for export. The sawmill and the plymill have an annual capacity of 25,000 cubic metres and 5,000 cubic metres

Letters of Interest

Interested investors (both local and foreign) are hereby invited to submit written letters of interest by no later than Friday March 14, 1997 at 5.00pm. Letters should

- a description of the investor's commercial activities and
- recent information on the investor's financial state of affairs.

All enquiries and letters of interest should be addressed to:



PROJECT LEADER-GLIKSTEN PROJECT CAL MERCHANT BANK LIMITED-45 INDEPENDENCE AVENUE P.O. BOX 14596-ACCRA, GHANA TEL: 233-21- 221056 / 221087/ 221091 / 222345 FAX: 233 21 231913 / 231104

The DIC and Cal Merchans Bank Limited reserve the right to extend the deadline for the receipt of letters of interest, reject any letter of interest without stating the reasons for doing so, or cancel this invitation.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sects & Co. and Standard & Poor's. The Indices are compiled by FTSE Intelligible and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatiWest Securities Ltd. was a co-founder of the Indices.

Pollur in Personal Profession Pro	MEGICINAL MALKETS	US	%cha	Pound	i		Local	Local %	Gross	US	Pound			Local			Year
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Austria (76)																	405.00
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Brazil (28)	Belgiam (26)	232.04	1.9	214,66				:									_
Carnade (114)	DORUM ACA STRUCTURE	212.37	12.0														
Demmerk (32)	Canada (114)	199.27	5.0	184.35	152.92	169.66											
Friedric (25)	California (114)	950.91	2.3	332.96	276.19	308,43	305.69	8.3									-===
France (S2)	Deciliary (25) "	260.97	6.2	241,43	200,26	222,19		12.8		254.19							
Germany (S9) 481.48 -8.1 454.88 377.15 418.45 488.95 -2.9 3.17 491.87 451.89 378.51 419.22 489.31 514.49 402.53 441.31 410ng (Kong (E5) 480.48 241.09 381.82 9.3 1.47 383.91 297.45 249.26 278.07 288.03 333.22 254.35 257.5 16 16.60 16.6	HUSTA (50)	918 OR		201.74	167.34	185.66	189.08	8.3	2.58	216.84	199.13	166.87	184.81	188.20	218.06		
Hong Korg (69)	France (92)	198 34		174.24	144.53	160.36	160,38	5.3	1.55	187,39	172.09	144.21	159.72	159,72	191.17		
Hong Korg (62)	Gennary (59)	401 49			377.15	418.45	488.95	-29	3.17	491.87	451.69	378.51	419,22	489.31	514.49	402.53	441.31
Informatia (27)	Hong Kong (59)	040 04				211.19	361.62	9.3	1.47	245.14	225.11	188,64	208.93	357.16	_	-	-
reland (15) 93.94 12.5 88.90 72.00 79.99 112.82 18.1 1.85 82.53 84.67 71.21 78.86 111.27 98.32 70.61 77.31 114.67 112.00.09 89.00 97.83 88.00 7.1 0.89 111.96 102.81 80.15 85.42 86.15 164.83 111.96 152.24 18.1 1.85 82.53 84.67 71.21 78.86 111.97 81.22 71.23 102.84 111.96 102.81 11.96 102.81 80.15 85.42 86.15 164.83 111.96 152.24 18.1 1.85 82.53 84.67 71.21 78.86 111.97 81.22 71.24 86.15 164.83 111.96 152.24 18.1 1.85 82.53 84.67 71.21 78.86 111.97 81.22 81.23 102.81 81.1 1.25 81.1 1	Ladansela (271)									323.91	297.45	249.26	276.07	286.03	333.22	254.35	257.57
Tably (58) 114.67 -11.2 108.08 88.00 67.83 88.00 -7.1 0.88 111.96 102.81 86.15 86.42 88.15 164.68 111.95 152.25 (107.01 126.35 136.54) 114.67 -11.2 108.08 88.00 67.83 88.00 -7.1 0.88 111.96 122.81 102.81 86.15 86.42 88.15 164.68 111.95 152.84 (107.01 126.53 136.53 136.54 127.22 1017.95 1129.43 1134.183 8.0 0.97 1331.11 1222.38 1024.34 1134.51 11408.65 1384.02 1048.65 1186.35 146.66 126.34 126.35 12	bedest (18)	32122										71.21	78.86	111.27	98.32	70.61	77.37
Expan (480)															164.68	111.96	152.26
Melsiops (107)	Inner LARIE	1 14.01															
Medico (27)	Malmack (187)	~~~	3.5														
Netherland (14) 91.41 -0.4 84.57 70.15 77.83 70.50 2.2 3.96 92.17 84.64 70.93 78.56 70.95 95.60 75.94 80.51 1	Mandan (27)	سينين					07740										
None Zealand (14) 317.24 7.3 293.49 243.44 270.10 279.25 9.0 1.90 313.70 288.06 241.40 267.37 277.19 318.25 226.19	Markedond (19)	-															
Norway (41)	Now 74010001 (14)	-21.71															
Philippines (22) 436.54 4.0 403.88 335.00 371.68 283.18 4.8 0.97 434.90 399.37 334.67 370.67 282.08 465.21 571.28 449.62 580.0th Africa (44) 325.54 22 301.16 249.81 277.17 324.82 -0.2 2.50 324.29 297.80 249.55 278.39 323.57 437.76 301.49 427.55 599.61 (35) 215.99 1.7 199.82 155.75 183.90 384.01 457.70 7.3 1.94 420.55 386.21 323.84 358.45 451.60 432.49 305.31 305.31 305.31 305.31 305.51 329.61 (35) 245.77 2.8 226.82 188.14 208.74 216.32 8.9 1.34 240.99 221.30 185.45 266.38 212.90 254.34 222.58 222.58 320.15 6.1 388.651 32	Money 411	317.24													31020	220,19	220.13
Singapore (43)	Mulicaines (72)	211.50														A AO	440.69
South Africa (44) 215.99 -1.7 199.82 165.75 183.90 226.71 4.7 2.76 213.49 198.05 164.28 181.96 223.88 228.16 181.66 165.25 165.61 165.55 183.90 384.01 457.70 7.3 1.94 420.55 386.21 323.84 358.45 451.60 432.49 305.31 305	Philippines (22)	436.54	4.0														
South Arreas (44)	Singapore (43)	225 54	2.2	301.16	249.81	277.17											
Speeden (SD)	South Ames (44)	315 00		199.82	155.75	183.90	226.71	4.7	2.76								
Seedled (SU) 245.17 28 226.82 188.14 208.74 216.32 8.9 1.34 20.99 221.50 185.45 226.38 221.50 254.34 222.58 222.58 222.58 222.59 254.64 283.50 254.09 210.77 233.85 254.09 3.6 3.74 273.61 251.46 210.71 233.97 251.45 283.17 224.39 228.62 188.46 272.58 320.15 6.1 1.85 319.29 233.21 245.70 272.13 319.28 320.60 254.79 259.21 245.70 272.13 319.28 245.70 272.13 319.28 245.70 272.58 240.70 259.21 245.70 248.21 24	Spein (35)	197 EA			328.09	364.01	457.70	7.3	1.94	420.56	385.21	323.84					
Selfertand (35)	Councide (SIII)					208.74	216.32	8.9	1,34	240.99	221.30	185.45	205.39	212.90	254,34		
The Band (45) ————————————————————————————————————	Budbarbard (39)					75.42	89.10	-6.5	3.65	96,92	89.00	74.58	82.60	97.64	193.95	88.5B	191.51
Artied Kingdom (271) 320.15 6.1 296.18 245.68 272.68 320.15 6.1 1.85 319.29 283.21 245.70 272.13 319.29 230.60 254.79 259.21 258.654) 320.15 6.1 271.07 224.95 249.47 248.38 6.0 1.84 292.15 268.28 224.82 249.00 245.64 283.38 233.09 236.67 (726) 3273.02 2.8 345.10 286.25 317.60 345.65 8.4 1.84 366.55 388.61 282.07 312.41 340.41 375.85 272.69 272.59 (6rdic (151) 373.02 2.8 345.10 286.25 317.60 345.65 8.4 1.84 366.55 388.61 282.07 312.41 340.41 375.85 272.69 272.59 (6rdic (151) 373.02 2.8 345.10 286.25 317.60 345.65 8.4 1.84 366.55 388.61 282.07 312.41 340.41 375.85 272.69 272.59 (6rdic (151) 373.02 2.8 345.10 286.25 317.60 345.65 8.4 1.84 366.55 388.61 282.07 312.41 340.41 375.85 272.69 272.59 (6rdic (151) 373.02 2.8 345.10 286.25 317.60 345.65 8.4 1.84 366.55 388.61 282.07 312.41 340.41 375.85 272.69 272.59 (6rdic (1598) 313.54 165.37 340.40 115.65 103.69 -5.3 1.85 133.54 122.63 102.76 113.81 102.11 177.01 133.54 165.37 (6rdic (1598) 312.87 312.	Theiland (45)	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,							3.74	273.81	251.45	210,71	239.97	251,45	283,17	224.59	228.62
ISA (654)	Hallard Kinnstom (2711)									319.29	293.21	245.70	272.13	319.29	320.60	254.79	259.21
Americas (823)	ISA (654)	20.15	6.1	290.10	240.00	CIEMO	<u> </u>										
Americas (823)			61 3	271.07	224.85	249,47	248.38	6.0	1.84								
Sirope (726)	Americas (823)	93.00				203.76	217.14	6.2	2,68	237.57							
Kordic (151)	European (726)		•			317.60	345.65	8.4	1.84	366.55	338.61	282.07	312,41				
Pacific (1598)	Marcile (151)) I U.U.						-5.3	1.38	133.54	122.63	102.76	113.81	102.11	177.01	133.54	165.37
iuro-Pacific (1589)	Backle Back (573)	30.0								176.88	162.43	136.11	150.75	144.79	191.51	176.40	180,44
North America (789)	5.m_Pacific (1599)	10.34	,								288.52	240.10	265.62	310.99	313.26	248,65	252.78
Europe Et. UK (515)	Morth America (768)	1201	-		- 14.44								181.43	191.51	215.58	181.80	182.60
Pacific Ex. Japan (383)312.05 -3.4 158.69 139.93 155.25 152.36 1.1 2.09 180.33 165.60 138.77 153.69 150.63 183.47 177.77 182.25 World Ex. UK (1812)	Francia Ex. UK (515)	14,50															
Norld Ex. US (1812)	Darlfir Fy Janan (383)	ويبعاز															182.29
Vorld Ex. UK (2255)	Hode Ev. 115 /1812)	82.35															
Vorld Ex. Japan (1986) _283.19 3.5 _28.87 202.32 205.67	Model Dr. LIK (2255)2	21.85															
	Maria St. Decem (1986)	83.19	3.5	261.99	217.32	241.11	271.63	5.6	2.18	202.04	238.W	£17.04	240.00				
he World Index (2486) _226.20				200.00	179 50	102 50	900.81	9.9	1 58	224.59	206.24	172.83	191.42	199.15	228.97	202.32	205.87
	The World Index (2465) -2	26.20	0.9	(USL-270	173,76	184.38	200.01										

MARKETS: This Week

The quarterly earnings season has been going well in the US: for every company delivering profits that fall short of expectations, there have been two delivering better than expected earnings. By now, however, nearly all the companies whose stocks constitute the Dow Jones Industrial Average have reported their results, so the stock markets are likely to rejoin the bond

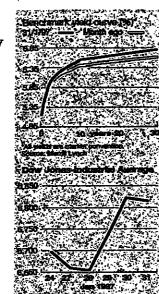
NEW YORK BY BIORATO JUNISTIS:

US economy. The highlight of the week will be the meeting of the Federal Open Market Committee tomorrow and Wednesday, at which policymakers will consider whether they need to lift interest rates to keep the lid on inflation.

markets in focusing on the

Economists think the Fed will leave rates unchanged. based on the view that an impending slowdown in US economic growth will ea inflationary pressures. If the Fed surprised the market with an increase, it would almost certainly be confined to 25 basis points.

Another key event will be the publication of employment figures, a closely-watched indicator of inflationary pressures. The January figures are due on Friday, and the market is looking for a benign report: the consensus forecast of



analysts surveyed by MMS International is for a rise of 195,000, down from the increase of 262,000 in December. Hourly earnings are expected to have risen by 0.3 per cent, down from 0.5 per cent in December.

Other statistics include today's publication of the National Association of Purchasing Management index of manufacturing activity: analysts expect the figure to fall from December's 53.8 per cent to 53.1 per cent in January.

LONDON BY POND Coggan

Monetary meetings will undoubtedly set the tone for the financial markets in

Mr Kenneth Clarke, the chancellor, has his monthly battle with Mr Eddie George, the governor of the Bank of England, on Wednesday.

The governor is widely expected to continue his push for a rise in rates; the chancellor is widely expected to resist.

Most analysts also expect the Federal Reserve to keep rates on hold when its Open Market Committee meets on Tuesday, although for those who believe in omens, the committee meets three years to the day since the Fed upset the markets by creasing rates in 1994.

In contrast, there are some hopes of a cut in German rates when the Bundesbank council meets on Thursday, although perhaps only in the repo rate

Even if the markets surmount the monetary hurdles and get through the week without an increase in rates on either side of the Atlantic, they could still be tripped up by the US non-farm payroll numbers on Friday. A strong figure could point to a Fed rate increase in March. Back in the UK, the

results season starts slowly

to get under way, with

Benchmark yield curve (%)*

917 Vet - Month ago -FISE AL-SI 24 27 28 29 30

figures from some of the giants, BAA, BSkyB, BT and ICI. There has been a steady stream of profits warnings in the past few months, many sterling-related - something which would cause wider concern if it spread to the multinationals.

The stock market, buoyed by Wall Street, strong liquidity and bid hopes, is not leaving much margin for error on a historic price earnings ratio (on the non-financials index) of nearly 19.

FRANKFURT BY Andrew Fisher Benchmark yield curve (%) 31/1/87 — Moral ago = With the economic winds

7.75

575

DAX bution

. 10 . years 20

from the US continuing favourable, German markets enter this week in fairly buovant mood. News of the rapid US growth rate at the end of

ast year is unlikely to disturb the dominantly bullish mood in German equities, since placid inflation holds little threat of interest rate rises. The sharp increase in

shares of big insurance companies, notably Allianz, after analysts' positive recommendations, and Friday's announcement of steeply higher profits at the SAP software concern, kept the DAX blue chip index above 3,000. Today, the once-battered

Metallgesellschaft will give

details of results for the year to September 30 1996 and present a progress report on the early months of 1996-97. The company has already said that profits for 1995-96 were 70 per cent higher but investors will be keen to know how bright its prospects remain and how it

acquisition. Agiv. On Thursday, another set of grim unemployment figures is due. These are expected to reach a new post-war German record, with cold winter weather

intends to integrate its

planned industrial

TOKYOLENEWER

The volatility of Tokyo share prices last week reflected the fragility of market sentiment, as stocks plunged then soared on comments by senior Japanese and American officials and market rumours. Most telling was the reaction on Friday to comments by Mr Alan Greenspan, chairman of the US Federal Reserve, that the Japanese were too

ssimistic about their economy. Share prices surged 2 per cent on the news, driving the Nikkei 225 back above 18,000 to close at 18,330.01, up 3.5 per cent on the week. Earlier in the week, stocks

indications that the government had no plans to support the market In the lead-up to the March 31 business year-end, trading is likely to become more volatile as domestic Mr Bernhard Jagoda, head corporations step up sales of said January's jobless figure shares to secure profits ahead of book-closing.

olunged on further

From April 1, sales tax will increase from 3 per cent to 5 per cent. Together with increases in income tax and social security contributions. also included in the fiscal 1997 budget, this will almost certainly hit growth in consumption, economists note. And the weakening of the yen against the dollar

will drive up prices of imported goods, further depressing sentiment. Stock performances are reflecting these factors. There is strong demand for export-orientated issues but domestic sectors such as retailing and property have been languishing.

Bonds, meanwhile, are likely to move in a tight range following last week's reaffirmation by Mr Yasuo Matsushita, Bank of Japan governor, of continued rock-bottom interest rates.

Grain volatility under review

The exceptional rise and fall in world grain prices during mittee on commodity prob-1996 has contributed to fears that prices are becoming of the Uruguay Round of the more rather than less vola-

The question will be discussed later this week when the intergovernmental group on grain meets at the UN Food and Agriculture Organisation headquarters in

Sharply rising prices in the first half of last year meant that by July wheat makers had expected the prices were double what new trading environment to they had been a year earlier. moderate price fluctuations. Prices then dropped just as suddenly in the second half

greater than the normal seasonal patterns.

A paper by the FAO's comlems, looking at the impact Gatt talks on grain prices, will form the basis of the

The paper explores whether the 1996 price surge can be attributed to the changes in the international trading environment and if greater price instability is likely in coming years.

It points out that policy The paper suggested that since the impact of the Uruguay Round had yet to have The fluctuations were far much weight, it was too soon for that to be the cause

It suggests that "while the initial stages of trade liberalisation under the Uruguay Round could have some price destabilising effects...trade liberalisation in the longer run should probably have a stabilising

effect on commodity prices". However, it does suggest that one influence has been the decline in government carry-over stocks since the high levels of the mid-1980s. in part related to Gatt. which would tend to make prices more volatile.

The paper suggested it might be desirable for countries to maintain "appropriate levels of food stocks" which would be consistent with commitments under the Uruguay Round.

OTHER MARKETS Compiled by Jeffier

Most leading European bourses ended Friday firmly on the upside, notably Paris which pushed forward determinedly into new all-time territory.

The French corporate scene has fizzed with stories lately and the next few days look capable of maintaining a heady pace.

Full-year results are due from Havas; there are sales figures from Peugeot, Casino and Promodes: and hotels giant Accor starts a European roadshow.

The results season is now in full swing. If the broad trend so far has been towards on-line earnings, the absence of nasty surprises has been a clear bonus and the Paris stock market has been in Olympian form.

pank trim in money market rates and a strong dollar, the leading CAC 40 index punched through the 2,500 Alcatel Alsthom scooped

Helped by another central

mance prizes last week, but Accor was right behind the defence and electronics leader. The hotels group, number four in the world rankings in terms of beds, was subject to both takeover rumours and broker buy

up the share price perfor-

The latter have been con-French-based business and the recent weakness of the franc. Lehman Brothers has a target price for the shares some 20 per cent above the present value.

The company holds a starting in Paris today. The more than 19 per cent.

CURRENCIES By Graham Bowley

Havas results emerge on Thursday, along with Peugeot and Promodes turnover

aggravating the effect of

slack economic recovery.

of the federal labour office.

would certainly be higher

4.15m (10.9 per cent of the

workforce). J.P. Morgan

reckons with a headline

(non-seasonally adjusted)

Production figures for

this week, with Paribas

forecasting a monthly

December are also expected

decline of at least 2 per cent.

figure of 4.5m.

figures for 1996.

than the December level of

The bourse is widely seen as fairly valued by the broking community, and with one eve on Wall Street, most commentators are braced for a short-term correction. But many analysts suggest

that the current restructuring and stock selection themes still have a long way

ZURICH

centrating on Accor's big Drugs optimism in Zurich should be maintained this week, with Roche meeting analysts today. The group has been linked with all sorts of takeover speculation recently on which it has resolutely refused to comment. series of analyst meetings, Last month the shares rose

year results today. **AMSTERDAM**

Dutch shares turned in one of the shakier European performances last week, easing lower in thin volume, and the cautious mood was maintained on Friday.

KLM announces thirdquarter results tomorrow (the broker consensus is for a modest net loss) and puts out January traffic figures on Friday.

HONG KONG

Investors are expected to remain on the sidelines in this holiday-shortened week, writes Louise Lucas in Hong Kong. The exchange is closed Thursday and Friday for the lunar new year.

Meanwhile, Alusuisse is Most activity is likely to come from the banking secscheduled to announce fulltor, where the full-year. results season kicks off this week, and from utilities, which have become a big talking point following last week's acquisition of 20 per cent of China Light and Power by the Hong Konglisted arm of Beijing's main investment agency, Citic Pacific.

The deal helped refocus attention on Hongkong Telecom, pushing the shares higher. Speculation has been rising that a Chinese buyer will be found for part of the controlling stake held by the UK's Cable and Wirele

Beyond those themes, a note of caution is entering the market. Merrill Lynch, for example, has been cautious over the short term as index volatility rises and fair value is seen in prices.

of the volatility. **CROSS BORDER M&A DEALS**

TARGET	SECTOR	VALUE	COMMENT
CLP (HK)	Power	\$2.2bn	HK reshaping
Unit of AO Smith (US)	Car parts	\$625m	Expansion
Newman Toriks (UK)	Controls	\$384m	Trumps FKI bid
Fendt (Germany)	Agricultural machinery	\$321m	Seeking compet- itive edge
Rizia (N'lends)	Cigarette papers	\$309m	Buy from Swiss
Ashbourne (UK)	Healthcare	\$159m	Unconditional
OGC Intl (UK)	Oil & gas servs	\$121m	Agreed offer
Phoenix Securities (UK)	Banking	est \$84m	Boutique buys continue
Fyrnetics (US)	Detection systems	\$24.8m	Cash plus debt deal
	CLP (HK) Unit of AO Smith (US) Newman Toriks (UK) Fendt (Germany) Rizia (N'lends) Ashbourne (UK) OGC Intl (UK) Phoenix Securities (UK)	CLP (HK) Power Unit of AO Smith (US) Car parts Newman Tonks (UK) Controls Fendt (Germany) Agricultural machinery Rizia (N'lands) Cigarette papers Ashbourne (UK) Healthcare OGC Intl (UK) Oil & gas servs Phoenix Securities (UK) Fymetics (US) Detection	CLP (HK) Power \$2.2bn Unit of AO Smith (US) Car parts \$625m Newman Tonks (UK) Controls \$384m Fendt (Germany) Agricultural machinery Rizia (N'lands) Cigarette papers Ashboume (UK) Healthcare \$159m OGC Intl (UK) Oil & gas servs \$121m Phoenix Securities (UK) Fymetics (US) Detection \$24.8m

Eurostat, FOMC and G7 set to move currencies This week will be dominated Italy - is likely to have a likely to be affected by Euro- raised. A rate rise could England, meet to discus

an Commission, gives its verdict on the accounting methods some countries are using to ensure they qualify for the single currency.

The report - dealing with issues such as gold sales, as techniques to massage their kets. Committee meets. Wednesday when Mr Kenin the case of Belgium, and the imposition of a one-off income tax, as in the case of

The report will probably focus on broad issues, rather But if it accepts the treat- subsequent falls of the on Saturday. than naming any particular ments, then the D-Mark pound, and what they mean countries which may be could weaken. using especially imaginative debt levels and budget deficits.

Currency markets are

likely to benefit, while the lira and peseta would suffer.

amid speculation that US and Mr Eddie George, gov-

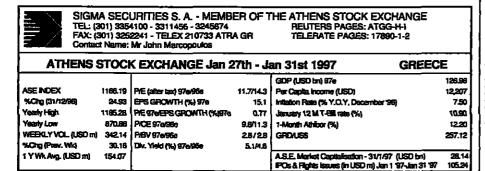
by a series of official meet-crucial bearing on which stat's findings. If the report benefit the dollar at the interest rates. ings. Today Eurostat, the countries are eventually rejects many of the methods expense of the D-Mark and

The spectacular rise and The US Federal Open Mar- come under scrutiny on tomorrow and Wednesday, neth Clarke, UK chancellor,

Finance ministers and censtatistical wing of the Euro- allowed to take part in mon- used, then the D-Mark is yen, although it could hit US trai bankers from the Group of Seven leading industrialised nations meet in Berlin

for the UK economy, will is likely to be on the G? agenda, but, after last week's gyrations in the currency markets, so too will be the desired directions of the yea, interest rates could be ernor of the Bank of US dollar and the D-Mark.

Aerospace parts \$21m



CONTRACTS & TENDERS

BANKRUPTCY FORNI ED IMPIANTI INDUSTRIALI INGG. DE BARTOLOMEIS SPA

COURT OF MILAN FASC. 61258 JUDGE DOTT. SSA MAGDA CRISTIANO

The above mentioned bankruptcy is to sell the whole business complex pertaining to the company bankruptcy and constituted by trademarks, patents, technical know-how, office furniture and equipment, yard equipment, motorcars, equity interests, and whatever set up for the design, the building and the management of plants in the sector of operation, sewage disposal and waste processing.

Interested parties are invited to send their communications of interest to the bankruptcy receiver, Dr. Angelo Casò, Via Bigli 21, 20121 Milano, by registered letter, postmarked no later than 20 February 1997.

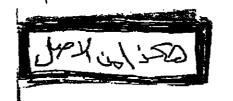
Interested parties will have to give evidence of enrollment in the Albo Nazionale Costruttori, for unlimited amount, section 12a and 12b (non-Italian nationals will have to give evidence of equivalent requirements).

Further information may be obtained from the Bankruptcy Receiver (Tel: +39/2/76013941 - Fax + 39/2/781714).

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 31, 1997. In some cases the rate is nominel, Market rates are the aver selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

ì		(X 100)					(X 100)			_	(X 100)	
Algheristan (Algheri)	7811.67 475			412.948	257,680	157.349	212.266	Paldatan (Pak Rupas)(3)	64,2281	40.0799	24,4733 - 32,0147	,
Albania (Lek)	198.710 124	.000 75.7159 102.14		10.0076	6.2450	3.8138	5.1442	Pename (Balbout)	1.8025	7	0.6106 0.8237	٠.
Algerts (Diner) Andoma (French Fr)	91.6713 57.2 8.8582 5.3	2052 34.9802 47.121 1277 3.3753 4.553			2.7000	1.8487	2,2241	Papus New Guines (Kins)	2.2012 .	. 1.3736	0.8387 1.1315	
Andona (menchin)	222,026 138				5.5277	3.3753 0.6106	4.5533 0.8237	Paraguey (Guenni)	3397.30	2120.00	1294.50 1748.29	
Angole (Read Kwanza)(1)	337325.2 2105				6.0894	3.7189	5.0160	Peru (New Sot) Philippines (Pero)	4.2338	2.6420	1.6132 2.1783	
Artigua (E Carto S)		7000 1,6467 2,224		1602.50	1000.00	610.813	823.723	Placeim to (2 Sterling)	42.2259	26,3500	16.0006 .21.7051	
Argentina (Peso)	1 6019 0.9	996 0.6104 0.823	Guinea-Bisseu (Peso		23418.0	14299.3	19290.0	ONZ SI	2.3274	0.8240 1.4523	0.3810 - 0.6140 0.8868 - 1.7963	٠.
Armenia (Dram)	740.868o 482	.320 282,298 380,82		224,831	140,300	85.8889	115,588	Poland (Zioty)	4.8128	3,0036	0.8868 1.1953 1.8337 2.4736	-
Aruba (Porin)		900 1.0930 1.474						Portugal (Escudo)	263.099	164,180	100.250 135.230	
Australia (Aus. S) Austria (Schillino)	2.1024 1.3	1119 0.8011 1.080 1245 7.0870 8.493		25.0585	15.8359	9.5475	12.8797	Puento Rico (USS)	1.8025	1	0.6106 0.8237	
Austria (Schläng) Azərbaikan (Manati	18.4680 11.5 9654.22a 409	5245 7.0370 9.493 0.00 2497.40 5269.0		20.4479	12.7600	7.7914	10.5107					
Azores (Port Escudo)		.180 100.250 135.23		12,4178 271,936	7.7490 169.685	4.7318 103.618	8.3830	Ceter (Filyan)	5.8338	3.6405	2.2229 Z.8987	•
	2000000 104	.100 100200 10020	s under Active	211-330	108.085	102'019	139.762	Romania (F/Fr)	8.8582	5.5277	3.3753 4.5533	
Bahamas (Bahamas)	1.8025	1 0.6106 0.823	7 Iceland (Icelandic Krone)	111.422	89.5300	42,4559	57.2735	Russia (Rouble)	9559.91 9032.48m	6965.00 5636.50	3642.30 4813.51 3441.72 4642.92	
Betwain Dineri		7770 0.230C 0.310		57.4897	35.8750	21.9057	29.5511	Prenda (Fr)	5531.765	3035.50 345.563	3441.72 4642.92 211.005 284.644	
Balearic is (Sp Peseta)		.550 84.6004 114.12		3808.84	2370.50	1481.12	1967,58			·~~	211300 20004	•
Bangladesh (Taka)		ISOO 25.9205 34.957			8000.00	1831.84	2471,17	St Christopher (E Carb S)	4.3268	2.7000	1.6487 2.2241	
Barbados (Barb S) Belarus (Rouble)		7113 1.2261 T.656 50,0 16456.0 22199.		0.49620	0.5109	0.1698	0.2561	St Helena (E)	1	0.6240	0.3810 0.5140	
Belgrus (Belg Fr)		7400 20.6021 27.792		2884.50m 1.0076	1600.00 0.8287	1099,10	1482.70	8 Tricks (E Coup 2)	4,3268	2.7000	1,5487 2,2241	
Beiliza (B.Si		1.2212 1.847		5.3050	3,3104	0.3839 2.0214	0.5179 2.7269	St Pleans (French Fr.) St Vincent (French St.)	8.8582	5.5277	3,3753 4,5533	•
Senin (CFA Fri	885.820 552	.770 337.528 455.39			1609.58	962,814	1325.83		4.3258	2,7000	1.6487 2.9241	
Bermuda (Bermudian S)	1.6025	1 0.6106 0.823	,					San Merino (Railan Ura) Sao Tame (Dabrai	2579.51 9829.77	1609.56 2396.13	962.814 1825.83 1457.00 1985.51	
Bhutan (Ngutrum)	57.4 8 97 35.8				34.0000	20,7608	28,0000	Sauci Arable (Flyat	8.0102	3.7505	2.2901 3.000	
Bolivia (Boliviano)		100 3.1813 4.291		194,544	121,400	74.1284	100		885,820	552,770	337.528 485.330	
Botswana (Pula) Brazil (Real)		1907 2.1925 2.9577 1456 0.6385 0.861;		1.1374	0.7096	0,4334	0.5846	Seychelles (Rupee)	8.0205	5.0050	3.0581 4.1227	: '
Brune 5		1077 0.8596 1,1596		121,550	75.8500	46,3150		Stems Leone (Leone)	1201,87	750.000	457.959 617.792	
Bulgaria (Levi	3124.87 1956			88.0974	54,9760	49.3150 33.5694	60,4794 45,2842	Singapore (5)	2.255a	1.4077	0.8596 1.1596	•
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Surma (Kyat)	9,8301 6.1	342 3.7458 6.0525	Korea North (Wort)	3,4454	2.1500	1.3128	1,7710	Sofomon & (Toky)	5.8169	148,785 3,6299	90.8600 122.558	
Burunda Fr)	383,295 239.	.186 146.050 197.025		1394.80	884.150	527.681	711.820	Somel Rec Shallon	4198.55	2820.00	2.2165 2.9900 1699.80 2158.15	
Cambodia (Ref)	3585.75 2300	1.00 1404.41 1894.50	Kuwat (Kuwati Dinar)	0.4844	0.3023	0.1546	0.2490	South Africa (Rend)	7.3178	4.5865	2,7884 3,7615	
Comeroon (CFA Fr)	885.B20 552			1474.30	820,000			Spain (Passta)	222,026	138,550	84,6004 114,127	•
Canada (Canadan S)	21603 1.3	481 0.8231 1.1104		0.9142	0.5705	561.764 0.3483	757,829	Spenish Ports In N Africa				•
Canary Is So Pesetal	222,026 138		Lebanon (Lebanesa 5)	2453.48	1548.75	945.297	0.4 890 1276.67	(Sp Peasta)	222 D28 .	136.550	84.6004 114.127	
Cp. Vende (CV Escudo)	132,959 82,9	7700 60.6825 68.3443	Lesotho (Meluti)	7,3178	4.5665	2,7884	3.7816	Sri Lanks (Rupes)	92,4483	57.8800	35,2262 47,5205	. •
Coymen to (CLS)	1.3272 0.8	282 0.5057 0.682		1.6025	1	0.6105	0.8237	Sudan Rep (Diner)	234,788	146,500	35,2282 47,5205 89,4647 120,676	٠.
Cent. Atr. Rep (CFA Fr)	885.820 552. 885.820 552.	770 337.529 455.330 770 337.528 455.330	Libya (Libyan Diner)	0.5597	0.8555	0.2171	0.2928	Surinem (Guilden)	657,025	410,000	250.351 397.727	Ξ.
Chile (Chileso Peso)	673.291 420.		Lischtenstein (Swies Fr) Lithuania (Lites)	2.2907 6.4100	1.4232 4.0006	0.8690	1.1723	Swezkend (Litengent)	7.3178	4,5005	2.7884 3.7815 ·	ı.
China (Yuan)	13.2902 8.2			54.0884	33,7400	2.4425 20.6021	3.2949 27.7924	Sweden (Krons)	11.5884	7.2315	4.4156 - 5.9667	-
Colombia (Col Peso)	1704.66 1063	3.75 649.539 876.239					41.1924	Switzerland (Fr	2.2907	1,4232	0.8690 1.1723	
Corneres (Fr)	664.337 414,	563 253.197 341.48£		12.B141	7.9963	4.8826	6.5867	Telwan As	87.9620 43.9568	42.4100 27.4300	25.8961 34.9347 16.7491 22.5947	
Congo (CFA Fr) Costa Rica (Coton)	895.820 552. 355.170 221,	770 337.528 455.330 635 135.333 182.566		70.0200	43,6948	26.6806	35.9924	Tanzaria Shiffino	269.888	509.000	385.757 493.410	
Côte d'Ivoire (CFA Fr)	885.820 552.			9570.26 263.099	4100.00 164,180	2503,51 100,250	3377.27	Theiland (Balti)	41.5268	25.9150	15,8240 21,3450	
Croatia (Kurra)	9.3577 5.8	399 3-5656 4,8101	Malani (Kuasha)	24.35R0	15.2000	9.2813	135,23 <u>0</u> 12,5206	Togo Rep (CFA Fr)	885.820	652,770	337,528 455,350	
Cuba (Cuban Peco)(4)	30,4475 19,0		'Malaysia (Rinodi)	3.9827	2.4853	1,5176	2.0472	Tongs is (Parange)	2.1024	1.3110	0.8011 : 1.0905	
Cypns (Cypns I)	0.7902 0.4	631 0.3011 0.4083	Maldive is (Ruffyo)	18.8814	11,7700	7.1689	9.6962	Trimidad/Tobago (S) Tunicia (Diner)	9.8802 1.6665	6.1655	3,7647 5,0767	
Czech Rep. (Koruna)	44,4502 27.7		Mail Rep (CFA Fr)	685.820	562,770	337.528	455.330	Turkey Circl	186130.4	1.0400 176150.0	0.6350 * 0.8556 70922.6 85675.5	
Denmark (Danish Krone) Officuti Rep (Offic Fr)	10.0076 6.2 256.400 160.0			0.6057 8.8582	0.378G 5-5277	0.2306	0.3113	Turka & Calcos (US 5)	1,8025	· researd .	0.8108 0.8237	
Dominica (E Carlo S)	4,3268 2.7		Martinique (Local Fr) Maustaniu (Cugulys)	227.579	142.016	5.3753 86.7161	4.5533 116.981	Tuvalu (Australian S)	2.1024	1.3119	0.8011 1.0808	
Dominican Rep (D Peso)	22,5712 14,0	850 8,6005 11,8021	Mauritius (Maur Ruces)	31,9779	19,9550	12.1848	16.4374	Upenda (New Shilling				
Ecuador (Sucre)	5652.33o 3662		Mexico Medican Peso	12.6316	7.8200	4.7750	B.4415	Transfer and the second	1865.38	1033.00	630,763 850,906	
(Sucre)	5830.05a 3700		Micusion (Local Fr)	8.8582	6.5277	3.3763	4.5533	UAE (Didward	2.8305 6.8844	1.7663 3.6720	1,0785 1,4550 2,3422 3,0247	
Egypt (Egyptian 1) B Setvador (Colon)	5,4486 3,4 14,0299 8,7		Moldova 4.eu	7,4997	4.8800	2.8577	8.8660	United Kingdom (2)	1	0.6240	2.2422 3.0247 0.3810 0.5140	
Equet' Guines (CFA Fr)	14,0299 B.71 885,820 552.1		Monaco (Franch Fr) Mongoliu (Tugrik)	8.8582 747,839	5.8277 486.670	3.8753 284.965	4.5533	United States (US 5)	1.8025	1	0.6106 0.8237	
Estonia (Kroen)	20.9659 13.0	957 7.9964 10,7872	Mongoliu (Tugris) Montaerret (E Carlo S)	4,3268	2,7000	1,8487	384,407 2,2241	Uruguay (Peac Uruguayo)	14.1881	8.8350	5.3948 7.2776	
Ethiopia (Ethiopian Birri	9.8307 6.10		Morocco (Dirham)	14,6925	9.1695	5.5984	7.5523	(address)	162,197	113.895	59.4238 81.653 <u>P</u>	
F-9441			Mozambique (Metical)	17829.4	11126.0	6793.67	B164,74	Venezuele (Bolivar)(2)	2579.31 780.547v	1609.58 474.600	962,814 1325,83 289,797 360,939	
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Fig. to (Common Nations)	70.0076 6.24 2.2683 1.45		Namible (S A Rand) Neuro is (Australian S)	7.2178 2.1024	4.5885 1,3119	2.7884 0.8011	3.7615	Wight la-British (US 5	1.6025	1	0.6106 0.8237	
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France (Fr)	8.8582 5.52	277 3.3753 4.9533	Netherlands (Guilden	2.9481 2.8685	1,8384	1.1225	1.5143	Western Serror Creek	4.007			
Fr. CtylAtrica (CFA Fr) Fr. Guisna (Local Fr)	885.820 552.7	770 337.526 455.330		2.8685	1.7900	1.0930	1.4745	Yemen (Rep of) (Red	3.8374 208.32 5 -	2.4670 130,000	1,5003 2,0239 79,3796 107,064	
Fr. Pacific is (CFP Fr)	8.8582 5.52 161.051 100.5		New Zanland (NZ S) Nicaragus (Gold Corpode)	2,5274 14,3401	1.4523 619496	0.8868	1.1983	Yugoslavia (New Dinar)	6.6638	5,4084	3.9012 4,4534	
Gebon (CFA Fr)	885.820 552.7		Nigar Rep (Gold Cordobe)	14.34L71 885.820	652,770	5.4641 337.528	7.3712 455.330	Zeire Rep (Zeire)	241778.8	150679,0	92126.8 124290.1	
Gambia (Dalasi)	15,8467 9.88	888 6.0382 8.1466		35.25500	22,0000	13.4335	18.1219	Zambia (Kwacha) Zimbabwe (S	2067.22	1290,00	787.890 1082.80	
Germany (D-Mark)	2.8244 1.63	377 1 1,3490	Nigeria (Naira) (Neira)	128.409m	50,1300	48,0284	55.0049		17.5764	10.9675	5.8989 9.0342	
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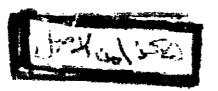
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10-year benchmark bond yields

EMERGING MARKETS By Edward Luce

Latin America steps up pace

Asian economic growth rates are tapering off as Latin America's edge upwards. That is leading some emerg-ing market fund managers to bet that portfolio funds will switch heavily into Latin American equities in 1997.

Asia's leading economies are likely to have slower gross domestic product and corporate earnings growth for the second year running, say economists - with the exception of China, Vietnam and the Philippines.

In contrast, Latin America is expected to achieve its fastest GDP growth since

Stock market price/earnings ratios range from nine in Venezuela to 15 in Chile, compared with a range of between 15 and 22 in southeast Asia, and more than 40 in Japan, which explains why many Latin American bourses are considered bar-

The upshot say emerging market specialists, is that portfolio funds will switch increasingly to cheaper Latin American bourses.

In addition, even the Asian countries that are growing fast are viewed warily by fund managers.

The two Chinese stock markets open to foreign buyers are considered worryingly volatile by many portfolio investors.

Index

World (449)

Argentine (22) Brazil (24)

Latin Ame

Chile (16)

Peru (12)

Latin Am

Greece (20) Poland (25)

Portugal (18) South Africa

WELCOME WELCOME

Europe Czech Rep.(14)

31/01/96

.170.23

116.12

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61.33

108.63

139.27 370.88

161.27

Latin America outperforms indices rebesed in \$ terms FT/S&P-A Worl ING Baringa Latin America FT/S&P-A Paci

per cent in 1997, compared

But at the same time

inflows will be boosted by up

to US\$12bn of privatisations

in Brazil during the year and

state sell-offs elsewhere in

Most of the privatisations

will be in the utilities sector.

which is generally consid-

ered to be undervalued by

expects the stock market to

rise by as much as 75 per

cent in 1997, the recovery of

banking stocks in the after-

math of the 1994 "Tequila

crisis" should also attract

Inflation in Brazil, which

fell from 2,000 per cent in

1994 to 12 per cent by Decem-

ber 1996 under the Real cur-

+10.12

+B.99

+26.95 +18.25

+19.36 +8.48 +111.00

-0.84 +14.28

+4.36 +26.96 +27.14 +15.09

+3.05 +62.44 +11.02

-2.48 +12.95 +5.28 -7.35 +14.68 +24.54 +6.20 -8.78 +4.22

Percent

+6.32

+8.39

+10.32 +11.23

+11.15

+10.39 +11.02

-1.36 +9.95

+4.18 +24.01 +7.89 +10.33

Year to date movement Actual Percent

+6.32

+B.39

+10.32 +11.23

+11.15

+10.39 +11.02

+24.01 +7.89 +10.33

+9.31

+25.12 +7.82 +3.34 -5.66

stronger investment flows.

In Mexico, where DMG

the region, it says.

domestic investors.

with 15 per cent in 1996.

Meanwhile, Manila seems expensive on a price/earnings ratio of 20 and Vietnam does not yet have a stock market.

Latin American stocks

rose by 15 per cent in 1996, compared with 3.5 per cent in Asia, according to the International Finance Corporation emerging market index. As the chart shows. the trend sharpened during

Mr Paul Luke, head of emerging markets at Deutsche Morgan Grenfell in London, said: "We are seeing the first signs of Asia-sclerosis. There is going to be a strong shift of flows to Latin America during the year."

DMG predicts that the average value of Latin America's stocks will rise by 25

+10.12

+8.99

+26.95 +18.25 +19.36

+8.48 111.00 -0.84

+26.96 +27.14 +15.09 +3.05

Percent

-0.37

+0.92

-0.90 -0.77

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-0.78 -1.48 +0.09

+2.69 +7.63 -2.72

ING BARING SECURITIES EMERGING MARKETS INDICES

-0.64

+1.06

-2.61 -1.39 -2.98 -0.71 -16.85

+0.05 -0.98

+2.85 +9.87 -10.37

age investors, say econo-mists, as should the stabilisation of Venezuela's economy under an International Monetary Fund pro-

Richard vice-president of emerging markets at Bank of America in London, says: "We expect most of Asia to continue to suffer from high current account deficits and falling export growth in 1997. Latin America's GDP growth could possibly overtake south-east Asia's in 1997." Analysts say US institu-

tional investors will be encouraged to switch from Wall Street to Latin America by the likelihood that Standard & Poor's will award Mexico and possibly Venezuela investment grade ratings. Other countries, notably Brazil, are expected to be pushed up a notch. Some US mutual and pension funds are debarred from putting

grade countries. The widely expected slowdown in the US stock market in 1997, and the steepening of the US Treasury yield curve in anticipation of a rise in interest rates, is also expected to boost portfolio outflows to emerging markets during the year.

noney into non-investment

However, if the US Federal Reserve raised rates by more than 50 to 75 basis points during the year, there could be a net reduction of funds going to emerging markets. Most economists consider this unlikely.

Mr Arnab Banerji, chief investment officer at Foreign & Colonial Emerging Markets in London, said: "There probably will be a shift of funds to Latin America, but only if global liquidity

"Much of this will depend on how steep the rise is in US interest rates and whether there continues to be a net outflow of funds from Japan." he said.

Other potential pitfalls include the outcome of midterm elections to be held in Mexico and Argentina this year. Some fear these will show voters are distrustful of the social costs of economic reform.

GOVERNMENT BONDS By Edward Luce

Fed expected to hold firm on interest rates

The strong response of US and European bond markets to news on Friday that US inflation was heading downwards was an unmistakable vote of confidence that the US would not raise interest rates when the Federal Reserve meets tomorrow.

With the GDP deflator, a general measure of inflation, falling to its lowest level since 1967, few were prepared to entertain parallels with February 1994 - when the Federal Reserve triggered a 12-month global bear market by unexpectedly raising interest rates.

The slowdown in price growth (with the GDP deflator falling to 1.8 per cent from 2 per cent the previous quarter) and news earlier last week that the US employment cost index had risen by less than expected combined to lift markets on both sides of the Atlantic at the end of a lacklustre week. Some traders were even saying that the US was entering a period of non-inflationary

"It now seems almost certain that the Federal Reserve will not increase interest rates when it meets [tomorrow and Wednesday [" said Mr Adrian Schmidt, senior economist at Chase Manhattan in London. "Mr Greenspan (chairman of the Federal Reservel will want to wait for evidence of strong growth in wage rates before

high economic growth.

With US Treasury prices advancing almost a point and strong gains across the board in Europe, bond markets were betting that US interest rates would remain unchanged until at least March 25, the next time the Federal Open Market Com-

he moves on interest rates."

mittee meets Few seemed to place much emphasis on news that US Philips - one of the more

NEW INTERNATIONAL BOND ISSUES

economic growth accelerated to 4.7 per cent in the last quarter of 1996 - well in excess of the 4.2 per cent forecast by most investment houses.

Economists noted that the rise in GDP growth had not been accompanied by any corresponding growth in

wage costs. "There is a lot of insecurity in the US jobs market which is helping breakdown the old relationship between economic growth and wage costs," said Mr Philip Shaw, chief economist at Union Discount in London.

"Unless something dramatic happens we are not expecting a move until the second quarter of the year at the earliest."

Not everyone, however, shared the market's unqualified optimism. Mr Eric Fishwick, international economist at Nikko Europe in London, believes there is a one-in-three chance Mr Greenspan will raise rates by 25 basis points this week. Few, he says, anticipated the 25 basis point rise in February 1994.

If the FOMC raises rates this week, it could earn credit for being aggressively pre-emptive on inflation although in the short-run the markets would take a hit," said Mr Fishwick.

"Markets tend to look at data indicating what has already taken place. The Federal Reserve's job is to anticipate what has not yet been captured by the statisti-

Mr Jeremy Hawkins, chief economist at the Bank of America in London, says there are signs that the Fed could raise rates this week. although on balance the chances are against it.

For example, Ms Susan

that job insecurity in the US will begin to fade as wage earners become accustomed

"Mr Greenspan will also ger than expected growth in Shaw. "There would be a left rates unchanged, it

left untouched, most expect pated Mr Greenspan cor-

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Discouret 5.00	950 - 250	910 - 675	8.00
Overnight 5.28 Three month 5.15	* - 1283		
Ope year 559		4.49 6.66	8.50 - 7.06
Ten year 8.27		5.58 7.27	

dovish members on the board of the Federal Reserve has been making increasingly "hawkish noises on inflation judged against her previous standards," says Mr

Furthermore, he added, it would be prudent to assume to unemployment of below 6 per cent - the level which economists consider to be consistent with stable infla-

"Our bet is that they won't raise rates, but with GDP growth at 4.7 per cent it is a very fine judgment indeed." said Mr Hawkins.

be well aware that US nonfarm payroll and wage data for January are due out on Friday. If they showed stronwage costs and the Fed had could be awkward.' Assuming that the bond

the US Treasury market to

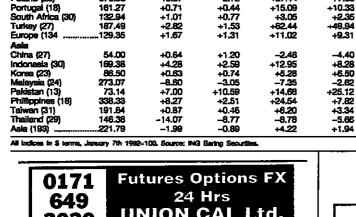
continue its variable performance of recent weeks, with European markets trailing in its wake. A rise of 25 basis points, however, would prompt a sharp sell-off.

"There would be short-term panic but markets would quickly realise that an early move on rates would preclude the need for a steeper hike later on," said Mr Fishwick. "The long end of the curve would probably calm down quite quickly.' The knock-on effect on the

UK gilts market would almost certainly be stronger. as it would put pressure on Mr Kenneth Clarke, chancel lor of the exchequer, to follow suit and raise UK rates this side of the general elec-

"The case for higher interest rates is stronger in the UK than the US," said Mr wave of global selling but the UK would be particularly hard hit." Mr Clarke, more than

markets are right in betting most, must be hoping that that US interest rates will be the markets have antici-



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Currencies with direct access to exchange floor James Maxwell MUIRPACE Tel: 0171 702 1991 Regulated by SFA

+ U.S. & int'l data → As law as \$9/day! Signal + For into call 44+171 596 8+104 SPREAD BETTING ON OVER EIGHTY MARKETS betting," Hours 7.30ms - 9.15pm. We are able to open reasons which above dryn. Carrent prices Claused 4 Televass Phys 609, For heredness and application from oalt 6171 285 3667. "Subject to tax just. CITY INDEX

→ Real-time quotes → Forex data

NOTICE OF PARTIAL REDEMPTION To Holders of **DOMUS MORTGAGE FINANCE NO.1 PLC** 2100,000,000

Mortgage Backed Floating Rate Notes due 2014

Notice is nereby given that in accordance with considera stop and so or the recess, relicuter hardly gives notice to racioem £700,000 principal amount of Notice, selected randomly as detailed below. The date set for the mandetory redemption is the next coupon payment date being. March 10, 1997, and the Notes will be redeemed at their principal amount plus accrued injuried. Payment will be made against surrender of the Notes, together with all appurement Coupons maturing after the date set for rademption at the offices of the Paying Agents, named on the Notes. On and after March 10, 1997, the redeemed Notes will cause to accrue interest.

The amount of any missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within live years from the date of payment. The redeemed Notes will become void unless presented for payment within ten years of the redemption date. The nominal amount that will be outstanding after the Notes listed below redeemed is £15,800,000.

The Serial Numbers drawn for mendatory redemption are as follows: By: The Chase Manhettan Bank London, Principal Paying Agent

OCHASE

All Futures, Options & Margined Forex **GNI** Contact: James Allan Tel: 0171 337 3999 Fax: 0171 337 3997

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Amount Coopus Yield Launch Book-russer in Netwith % Price % spread to us dollars australian dollar Muticania Traecae Cusal Alimentos Depta Seak Europe Mertia Bentdett Ar Augentaria Capital Ar Capital Queigit Ar Gilaco Claste Gas Co Southm Co Cpd Tra 6.59 +265 6.80 +42(m/5)r) 7.18 +41(6¹2/4-06 125(6¹2/4-26 8.15 300(6¹4/4-99 BNGs) 100 Dec 2002 6.00 99.80R 8.09 424(7%-01) CBC Wood-Gardy Kingdom of Decement(s) 100 Dec 2002 6.00 118.2R - 425(7%-01) Toronto Dominion CZEC) KORUKA | Export Interseponant Corpus 170 Feb 2000 S.cog | 100200 - 100200 - 100200 OFF | 1 NL 1bn Feb 1998 10.75 100.60R 10.94 Nesil B Finance Curaceo(C) 1bn Feb 1998 10.50 100.90 1.00R Iredelbank kt Finance 1bn Feb 1998 10.75 100.13R 10.61 Pakirsh (Prokor) FERCH FRANC Commercianic Overs Finja; WestLB Finance LW Rentenbandags; 400 Dec 2003 6.00 101.83 5.67 400 Mar 2003 5.75 101.93 5.75 400 Dec 2004 5.25 101.83 5.88 1.5bs Hov 2008 6.25 102.67 - 18(OAT2908) ENP/Oreselver/CB With Pentententiques 400 Dec 2004 5.25 101.28 S.E. Consideration that the composition of the second process of the composition of the second process of the composition of the compositi | SISPUMS | Land Socts Fin Jamenylopis | 210 | Mer 2007 | 6.00 | 100.00 | Socision Power | 200 | Feb 2017 | 8.38 | 99.837 | 8.39 | 100 | Feb 2017 | 8.38 | 99.837 | 8.39 | 100 | Feb 2000 | 6.88 | 99.937 | 8.38 | 4.39 | 100 | Feb 2000 | 6.88 | 99.937 | 8.39 | 100 | Feb 2000 | 6.89 | 99.937 | 100 | Feb 2000 | 6.89 | 99.937 | 100 | Feb 2000 | 6.93 | 99.87 | 100 | Feb 2000 | 6.93 | 99.87 | 100 | Feb 2000 | 6.93 | 99.87 | 100 | Feb 2000 | 6.93 | 99.87 | 100 | Feb 2000 | 6.93 | 99.87 | 100 | Feb 2000 | 6.93 | 99.87 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.93 | 100 | 6.9 8.39 +638%-153 HSSC Martes -6864-75-173 B2W 6.88 +60%-99 CSP8 SSC Warburg -46(78-02) Brightmarkes Bunk HSSC Martes 8.661 Yassalchi IndiCarope) WOOS) 3 Holdings FCS+ SMSS FRANCS 200 Sep 2002 3.25 102.20 100 Mer 2002 3.00 101.50 150 Occ 2001 2.00 97.30 100 Mer 2007 5.13 99.13R 100 Occ 2001 3.00 101.50 France Teleconsist
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REVISED NOTICE USD 150,000,000 **SOLVAY FINANCE** (Bermuda) LTD Floating Rate Notes due 1998

Serie 2 USD 30.000.000 6.25% Interest Rate Interest Period September 30, 1996 March 27, 1997 (and not March 31, 1997 as previously announced)

Interest Amount due on March 27, 1997 per USD 500,000 USD 15,451,39 BANQUE GÉNÉRALE DU LUXEMBOURG Agent Bank

CENTRALE NUCLEAIRE
EUROPEENNE A
NEUTRONS RAPIDES S.A.
NERSA FRF 400 000 000
GUARANTEED FLOATING
RATE NOTES DUE 1997
ISIN CODE: FR0088818728

For the period January 31, 1997 to April 30, 1997 the new rate has been fixed at 3.475 % P.A.

Next payment date:
April 30, 1997
Coupon nr: 32
Amount:
FRF 171.82 for the
rotaination of FRF 20 000
FRF 859.10 for the
commation of FRF 100 000

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST LUXEMBOURG

carry an Interest Rate of 8.41563% per annum. The Interest Amount per £1,000 will be £41.04 payable on the 27th March, 1997. Lined on The International Strick Exchange of the United Kingdom and the Republic of Ireland Ltd. Benken Trust Company, London Agent Be

Correction Notice

CHESHIRE

moorporated in England under the Building Societies Act 1986)

£10,000,000

Floating Rate Permanent

Interest Bearing Shares (PIBS)

For the Interest Period 30th September, 1996 to 27th March, 1997 the PIBS will

BUILDING SOCIETY

6 for Reconstruction and Development and Development ECU 450,000,000
Floating Rate Notes due 2002
In accordance with the provisions of the Notes, solder is hereby given that the Rate of Interest for the three month period ending 30th April, 1997 has been fined at 3.49609% per system. The listent accruing for such three month period will be BCU 43.22 per ECU 5,000 Bearer Note, and BCU 564.31 per BCU 100,000 Bearer Note, on 30th April, 1997 against presentation of Coupon No. 20.

Union Beak of Switzerland London Branch Agent Benk

29th January, 1997

T.C. Ziraat Bankasi (incorporated in the Republic of Tenley with human highligg) U.S. \$140,000,000 Floating Rate Notes Due 2001

Interest Rate for the period from 31st Juriant, 1997 to 31st Jury, 1997 to U.S. \$345.66 per U.S. \$10,000.

In accordance with clause 6(c) of the Terms and Conditions of the Notes, the Interest Rate applicable for those Noteholders who have elected to Redeem their Notes on 31st July, 1997 to 6.5% and the Floating Rate Note Interest Amount payable will be U.S. \$326.81 per U.S. \$10,000.

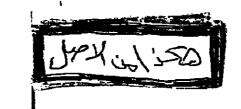
Czech & Slovak Investment Corporation Inc. Registered Office:
PO Box 309, Ugand House,
Grand Cryman, Cryman Islands,
British West Indies
Report and Flauncial
Statements for the six months
to 30th Separather 1996
Only to 30th September 1996
Copies of the Unaudised Interim
Report and Francial Statements for
the six months to 30th September
1996 are now available front the
registered office of the company,
from Robert Fleming & Ch. Limited,
25 Capthall Avenue, London ECZR
7DR and from Robert Fleming
Management (Jersey) Limited,
Queen's House, Don Road, St. Flelier,
Jessey JEZ 4QD. 3rd February 1997

Notice to Skareholders and Wasrantholders of

CITICORP U.S. \$250,000,000 Floating Rate Notes

Due November 1999
(the "Notes")

Notice is hereby given that the Rate of Interest for the Interest Period February 3, 1997 to May 2, 1997 has been fixed at 0.0% and that the interest poyable on the relevant Interest Poyment Date May 2, 1997, against Coupon No. 10 will be US\$00.00 in respect at US\$5,000 nominal of the Notes. February 3 1997, Landon by: Calbonic, N.A. (Corporate Agency & Trust), Agent Back CTTBANCO



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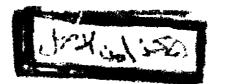
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FINANCIAL TIMES MONDAY FEBRU	ARY 3 1997 *		-
		URRENCIE	S AND MONEY
POUND SPOT FORWARD AGAINST THE POUND		DOLLAR SPOT FORWA	RD AGAINST THE DOLLAR
Europe Austria Schi 18.4690 -0.1572 504	month Three months One year Bank of %PA Rate %PA Rate %PA Eng. Index	Jan 31 Closing Change mid-point on da Europe	
Beiglum (BFi) 54.0884 -0.5485 435 -932 54.5420 53.9130 53.943 Denmark (DK) 10.0076 -0.0847 021 131 10.0885 8.9688 6.987 Finland (FM) 7.8243 -0.0421 178 -972 7.8888 6.987	4 2.8 53.6784 2.8 52.4834 2.9 104.2	Beiglum (BFr) 33.7400 -0.0 Denmark (DKr) 6.2450 -0.012	1 221 - 269 11.5505 11.4670 11.5098 1.5 11. 9 350 - 450 33.8300 33.6450 33.68 2.1 33. 4 435 - 465 6.2624 6.2215 6.2361 1.7 6. 17 800 - 850 4.8925 4.8955 4.8737 2.2
Germany (DM) 2.6244 -0.0224 231 - 257 2.6436 2.6106 2.617 Greece (DC) 412.946 -2.353 739 - 157 415.312 409.803	5 2.8 8.7958 2.8 8.5911 3.0 107.1 9 3.0 2,8046 3.0 2.5398 3.2 106.1 - 66.6	France (FFr) 5.5277 -0.005 Germany (DM) 1.8377 -0.001 Greece (Dr) 257.690 +0.4	4 272 - 282 55411 55046 55194 1.8 5 7 374 - 380 1.6418 1.6294 1.6348 2.1 1. 5 640 - 740 258.400 255.470 259.245 - 7.2 26
Lucemburg (Fi) 54.0884 -0.5485 435 -932 54.5420 53.9130 53.943 (Fi) 2.9461 -0.027 448 473 2.9867 2.9867 2.937 2.938	6 -1.5 2584.91 -0.9 2573.05 0.2 77.5 4 2.8 53.6784 2.9 52.4834 2.9 104.2	taly (L) 1609.56 =0.6 Luxembourg (LFr) 33.7400 =0.0	3 895 - 915 1.5975 1.5925 1.59 0.3 1. 4 930 - 981 1517.25 1607.25 1612.29 -2.D 16 9 350 - 450 33.9300 33.6450 33.68 2.1 33. 2 382 - 386 1.8438 1.8301 1.8346 2.5 1.
Portugal (Est 263.099 -2.042 836 - 261 264.680 262.052 253.29 Spakt (Pts) 222.026 -1.454 877 - 176 222.341 220.925 222.02	6 1.4 10.3605 1.3 10.2556 1.3 104.2 4 -0.9 263.664 -0.9 95.3 6 0.0 221.806 0.4 218.411 1.2 78.4	Norway (NSC) 5.4855 -0.024 Portugal (Es) 164.180 -0.0 Spain (Piz) 138.550 +0.12	5 840 - 670
UK (517) 2.2807 -0.0196 792 -822 2.2974 2.2843 2.272 (5) (5) (5) (6) (7) (7) (7) (7) (7) (7) (7) (7) (7) (7	7 4.2 2.2574 4.1 2.186 4.2 102.9 95.4	Switzerland (SFr) 1,4232 -0.001 UK (£) 1,6025 -0.01	2 277 - 352
Americas Argentina (Pesc) 1.6019 -0.0124 014 - 024 1.6137 1.5955 Brazi (RS) 1.6756 -0.0122 740 250		SDR† - 0.71722 Americas Argentins (Peso) 0.9996 -0.000	3 996 - 996 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
Cerrada (CS) 2.1603 -0.0145 502 -613 2.1740 2.1518 2.1550 Medico (New Pesc) 12.5316 -0.1241 186 - 435 12.6368 12.5183 1.6876 Medico (S) 1.6025 -0.012 120 - 0.30 1.6139 1.5857 1.6016		Canada (C\$) 1.3481 +0.00	2 455 - 457 1.0462 1.0455 1 478 - 483 1.3505 1.3407 1.3458 2.1 1. 9 150 - 250 7.8250 7.8120 7.936 -18.1 8.
Australia (AS) 2,1024 -0.0079 010 - 037 2,1138 2,0832 2,103 Hong Kong (AKS) 12,4178 -0.0918 131 - 224 12,5045 12,3851 12,410 India (Rs) 57,4897 -0.4868 317 - 477 57,8030 57,2890		Hong Kong (HKS) 7.7490 +0.000	8 115 - 123 1.3123 1.3037 1.3134 - 1.4 1. 5 485 - 495 7.7497 7.7485 7.7489 0.0 7. 5 500 - 000 35.9000 35.8500 36.09 -7.2 3
Japan (Y) 184.544 -1.999 403 - 684 197.130 193.891 193.614 Mainysia (NZS) 2.3274 -0.0308 805 - 847 4.0122 3.9685 New Zealand (NZS) 2.3274 -0.0129 254 - 233 2.3448 2.3178 2.3476		Japan (M) 121,400 -0.3 Malaysia (MS) 2,4853 -0.000	2 064 - 144 33144 3.3041 4 350 - 450 122.310 121.020 120.925 4.7 11 7 848 - 868 2.4880 2.4850 2.4882 -1.4 2. 7 518 - 531 1.4531 1.4504 1.4578 -4.5 1.
Saudi Arabia (SR) 5.0102 -0.0466 646 - 871 42.2871 42.1646 Singapore (SS) 2.2558 -0.0165 543 - 573 2.2708 22487 South Africa (R) 7.3178 -0.0522 331 - 225 73298 73298		Philippines (Peso) 26.3500 +0.000 Saudi Arabia (SR) 3.7505 +0.000 Singapore (SS) 1.4077 +0.000	\$ 200 - 800 26.3800 26.3200 1 503 - 507 3.7507 3.7503 3.7568 -0.1 3.
South Notes (Won) 1384.90 -11.3 429 - 531 1404.95 1390.60 Telwan (TS) 43.9566 -0.344 108 - 0.24 44.2531 43.7780 Thesisand (St) 41.5288 -0.3808 996 - 576 41.8860 41.3300 1 Resistant for Jan 20 Biotriffer comments.		South Korea (Won) 864.150 -0.0 Telwan (TS) 27.4300 -0.0 Thelland (Bt) 25.9150 -0.04	8 100 - 200 874,000 864,000 - 1 1 100 - 500 27,4500 27,4100 27,4301 0.0 27, 1 050 - 250 25,9950 25,8400 26,005 -42 26,
† Rates for Jan 30. Biolistics spreads in the Pound Spot table show only the leat three decimal place implied by coment interest rates. Storing Index calculated by the Bank, of England, Beau Mid-rates in both this and the Dollar Spot tables derived from THE WIMPEUTERS CLOSING 8	acce. Forward raises are not directly quoted to the market but energing 1980 = 100, Indiax retirend 1/295, Bird, Offer and POT RATES, Some values are rounded by the F.T.	† SDR rate per \$ for Jan 30. Bol/offer spre quoted to the market but are empled by cu 30: Base average 1990-100	ade in the Dollar Spot table show only the last three decima front interest rates. UK, Iroland & ECU are quoted in US con
CROSS RATES AND DERIVATIVES EXCHANGE CROSS RATES			UK INTEREST RATES
Jen 31 BFr DKr FFr DM E L 1 Belgium (BFr) 100 18.51 18.38 4.853 1.862 4770 5.4 Denmark (DKr) 54.02 10 8.849 2.821 1.008 2578 248		E CS S Y Ecu .849 3.985 2.965 359.7 2.510 .999 2.758 1.601 184 3 1.356	Jan 31 Over- 7 days night notice mont interbent; Sterling BI2 - SI2 6/2 - 6/2 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 - 6/2 6/2 6/2 - 6/2 6/2 6/2 - 6/2 6/2 6/2 - 6/2 6/2 6/2 - 6/2 6/2 6/2 - 6/2 6/2 6/2 - 6/2 6/2 6/2 6/2 6/2 6/2 6/2 6/2 6/2 6/2
Prisince (FFr) 61.04 11.30 10 2.962 1.137 2011 3.3 Germany (DM) 20.61 3.815 3.376 1 0.384 982.9 1.1 treland (\$\subseteq\$ 53.69 9.940 8.796 2.606 1 2561 2.5	128 11.73 297.0 250.6 13.08 2,575 1 123 3.980 100.3 84.80 4.417 0.989 0 926 10.32 261.3 220.5 11.51 2.285 0	.129 2.438 1.810 219.6 1.532 1.381 0.823 0.611 74.12 0.517 1.983 2.145 1.592 193.1 1.348	Sterling CDs 6½ - 6 Treesury Balls 5½ - 5 Bank Balls 5½ - 5
Vertherlands (F) 18.35 3.398 3.007 0.891 0.342 875.4 Horway (Nkr) 52.04 9.634 8.526 2.526 0.989 2482 2.6 Portugal (Ea) 20.55 3.805 3.367 0.997 0.383 980.2 1.1	1 3.527 89.31 75.36 3.934 0.774 0 335 10 253.2 213.7 11.15 2.195 0	1.039 0.084 0.062 7.542 0.053 1.339 0.733 0.544 66.02 0.461 1.962 2.079 1.543 187.2 1.306 1.380 0.821 0.609 73.93 0.516	Local authority deps. 5% - 5% 5% - 5% 6% 6% Obscount Market deps. 6½ - 6 6% - 6 UK dearing bank base lending rate 6 per cent to
	342 8.985 227.0 191.5 10 1.968 0 292 4,555 115.3 97.33 5.081 1 0	L450 0.973 0.722 87.61 0.611 L863 1.884 1.383 167.8 1.171 L438 0.947 0.703 85.27 0.595 1 2.160 1.603 194.5 1.357	Up to 1 1-3 month month Certs of Tax dep. (\$100,000) 2 ¹ 2 5 ¹ 2
Semeda (CS) 25.03 4.634 4.101 1.215 0.486 1194 1.3 S (S) 33.73 6.245 5.528 1.637 0.628 1609 1.8 Septen (Y) 27.80 5.147 4.554 1.349 0.518 1326 1.5	84 4.810 121.8 102.8 5.366 1.058 0 88 8.482 184.1 138.5 7.230 1.423 0 815 5.342 135.3 114.1 5.859 1.173 0	.463 1 0.742 90.05 0.626 .624 1.347 1 121.3 0.847 .514 1.111 0.824 100. 0.898	Certs of Tax dep. under \$100,000 is 2 ³ -pp. Deposits with Ave. tender rate of discount on Jan 31, 5.33-40pc. EGGD up day Jan 31, 1997. Agreed rate for period. Feb 28, 199 Reference rate for period Jan 1, 1997 to Jan 31, 1997. S
GU 39.85 7.377 6.528 1.934 0.742 1901 2.1 anish Kroner, Franch Franc, Norwegian Kroner, and Swedish Kroner per 10; Belgian F I D-MARK FUTURES (IMM) DM 125,000 per DM	I71 7.657 193.9 163.6 8.541 1.681 0 ranc, Yan, Escudo, Lira and Peoeta per 100.	.737 1.592 1.181 143.3 1	House Same Rate 6/2pc from Jan 1, 1997 BANK OF ENGLAND TREASUI
Open Sett price Change High Low Est.vol Open fer 0.6127 0.6123 -0.0007 0.6150 0.6107 23,908 78,8 un 0.5174 0.6160 -0.0007 0.6178 0.6148 1,405 5,16 ep 0.6195 0.6199 -0.0008 0.6195 0.6196 18 2,11	68 Strike CALLS	31,250 (cents per pound)PUTS pr Feb Mar Apr	Jan 31 Jan 24 Bills on offer S200m S200m Top ac Total of applications S2306m \$1408m Ave. ra Total allocated \$400m \$200m Average
SWISS FRANC FUTURES (MM) SFr 125,000 per SFr	1.600 1.32 2.23 2. 1.610 0.96 1.77 2.	1.32 2.12 2.65 26 1.80 2.62 3.20 86 2.41 3.23 3.80	Min. accepted bid \$28,520 \$36,525 Offer a Abotment at min, level 89% 67% Min. at
n 0.7150 0.7123 -0.0006 0.7150 0.7115 211 2,7 pp - 0.7192 -0.0008 0.7210 0.7185 1 2,0	11 . Previous dely's vol., Lieus 105 Plats 301 , Previ de	ny's open Int., Calls 30,709 Puts 49,985	Pound in New York
Care	62 Strike CALLS	- PUTS	Jan 31 Close Prev. close
m 0.8385 0.8389 +0.0005 0.8406 0.8355 371 3.01 pp 0.8500 0.8500 +0.0004 0.8500 0.8500 39 72 STERLING FUTURES (IMM) 282,500 per £		48 0.32 0.59 0.77 20 0.53 0.81 0.99	1 yr 1.5896 1.6006
er 1.6120 1.5978 -0.0144 1.6126 1.5940 8,769 34,8 n 1.6030 1.5952 -0.0144 1.6030 1.5920 21 2,31 p 1.5904 1.5916 -0.0144 1.5950 1.5890 2 1,08	16	dey'n open inc., Calle 36,974Puts 23,822	
OTHER STATISTICS	Programme and the second of th		
TOCK INDICES 1986/97 - Skace c Jun 31 Jan 30 Jan 29 Jan 28 Jan 27 High Low High I	0009. LOW Jen 31 Jen 30 Jen 29 J	— 1996/97 — Since comp. an 28 Jan 27 (High Low High Low	
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SE SmalCap 2305.59 2297.62 2292.17 2292.36 2291.89 2306.59 1854.06 2306.59 13 SE SmalCap et IT 2315.79 2308.85 2302.80 2301.78 2304.01 2315.79 1269.87 2315.79 12	89.79 FT Govt Secordies 94.81 94.37 94.25 89.87 FT Fixed leterest 117.19 117.14 117.08 1	94.70 94.53 98.34 81.57 127.40 49.18 177.74 117.70 119.34 110.90 133.87 50.53 137.97 1737.97 2528.73 1674.81 2520.73 822.16	[]
NIGHTS OFFERS	LONDON RECENT ISSUES	: EQUITIES	The Bouygues Board of D reviewed the Group's est
gue Amount Latest foe paid Renun. 1996/97 Closing	hasua Amt Mic. price peld catp 1996/97 +or- p up (Em.) High Low Stock	Close price Net Div. Grs P/E p +/- div, cov. ykd net	(FF billion)
Nii 5/2 5pm 2pm Ashquay 2pm 0 Nii 18/2 14pm 10pm Gr. Portland 10pm 0 Nii 11/2 18pm 8/2pm Hall Engineering 8/2pm 0 Nii 13/2 73/2pm 14/2pm Mortand 72 ¹ 2pm	§ P.P. 25.8 57½ 49½ 82W Endwr 100 F.P. 12.6 83½ 83½ Enterprise V F.P. 14.2 55 55 †Epicore N §100 F.P. 18.2 286 173½ 153 Reitwa	n Cp 89 ¹ 2 xork 55	CONSTRUCTION ACTIVITIES Construction
premiur,	\$145 F.P. 12.5 175 150 †Herdy Und \$ F.P. 5.53 4 3½ †John Lawk * F.P. 8.46 82½ 45½ †Netcall \$68 F.P. 35.4 72½ 42½ †Oxford Sto	; 4 21,4 60 ¹ 2 medica 55 ¹ 2	France International Property development SERVICE ACTIVITIES
	\$65 F.P. 18.0 80\(2\) 65\(2\) Perinvood \$68.5 F.P. 13.3 70\(2\) 52\(2\) †Piet Tech \$100 F.P. 22.0 105\(2\) 27\(2\) Prelude Tst	75 + ² 2 R1.82 1.3 3.0 25.1 hat 59 ¹ 2 b 18.6 105 ¹ 2 +4	D. A. Mar. addition and an arrangement
ANK RETURN Wednesday increase or NKING DEPARTMENT January 29, 1997 decrease for w	\$80 F.P. 42.4 111½ 81½ Sheffield Un \$585 F.P. 61.3 7575 6525 Sunderland	ted 85½ +4 752½ R4,8 7.0 0.6 18.0 bour 133½xxi Z1,2 1.8 1.1 18.6	OTHER ACTIVITIES TOTAL
bitmies. 14,553,000 phila 1,328,575,422 +690,038,083 phila 2,171,888,860 +181,805,648 philases deposits 2,171,888,860 +181,805,648 philases deposits 2,171,888,860 +181,805,648 philases deposits 2,171,888,860 +181,805,648	other symbols plasse refer to The Landon Share	Service notes.	These figures reflect the business in France, offse activities.
8,670,558,182 +458,302,233 1,310,808,749 -4,830,000			Turnover for Other Activ Moulins de Paris, Engin 1996 and will continue
vernment securates 2,242,215,969 +974,595,713 vernce and other secounts 3,108,592,632 -509,673,089 vernse, equipment and other secs 9,077,033 -1,895,852 tes 1,55,769 +5,432	FT GOLD MINES IND	% of	a result of the sale of HC in 1997, total Group tur
6,670,558,182 +458,302,233 SUE DEPARTMENT	— les abus 154 for		Exceptional provisions of commissed with those rec
bilities 20,550,922,987 -38,104,148 tes in circulation 9,077,033 -1,995,852 20,560,000,000 -40,000,000	Atrica (14) 1944.69 -8.6 11.46	24.47 4.52 40.28 3553.86 1818.45 12.71 2.56 21.36 2827.34 1952.42 82.82 0.82 59.53 2186.39 1550.58	(FF million) NET PROFITACISS
rer Government securities 7,841,986,512 -1,839,936,151 12,718,013,488 +1,789,936,151 12,718,013,488 +1,789,936,151 12,789,000,000 -40,000,000 -40,000,000	Copyright, FTSE Internetional Limited 1997. Al number of compenses. Basis US Dollars. Basis V	rights reserved. Figures in brackets show	Applicable to the Group Minothy Interests
-			A design in profits from speinly offset by local activities and capital set.
JK GILTS PRICES We're Apart Interest Last City Hotels for the set less Notes for	Wik W, Aren't Indonesis Land City top 2 al- 2m data zel Mak	W7k% Accept Indecept Leaf Ck Hoppo Price E +/- Dra doe xi Ba	Boorgres temobiles by recolding estimated pro
Notes 7100 2 Times 7120 2 Times 7120 2 Times 7120 200011 1 Times 7	00(1) 0.4 11,700 Je7 De7 20.11 1148 Index-Limited 00(1) 0.4 4,000 Me8 Se8 2.9 2500 45 07 10 11	(6) 33.6) 1142, 0.2 800 Ap27 Oct. 17.10 175 78.3) 1884, 0.5 2,160 McV Sc24 16.9 131	The modifications network
8 Our 7pc 1997# 10042	1034 - 7 2000 App (NE 22.01304 21-00 TS) 1034 0.1 3,150 1/22,022 13.1 1280 43/10 T04# 10 1034 0.3 7,367 1/16 1/16 7.1 1339 2/10 T0	78.83 182 <u>13</u> 0.6 2,300 My20 Mx20 11.11 1377 35.83 11883 0.6 1,150 Ap21 0x21 10.10 1255 60.57 1924 0.8 2,250 1579 Jy19 9.1 1314	and greatly knowests the plant
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8 101-0c 1999 1003 5,700 94c165000 212 4945 Tenas 6 May 270777 1003 1125 405 1003 6 1005 1005 1005 1005 1005 1005 1005 10	12.2 8.3 5.273 July July 2.1 1245 20-20-	83.0) 1482 1.3 3,350 Ap18 Oc18 7.10 132 97.7) 1231 1.5 3,250 Ja17 Jy17 8.1 132	The public errors outli
9 (0) 1989 # 983	(b) Figures in par months prior to	restness show RPI base for indexing, 6s is issue) and have been adjusted to reflect	
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•			Change	Bickotter	Day's		One mo	nth %PA	Three m	onths %PA		JP Morgan	MONEY	RAT	ES							
, ·		nid-point	un say	spreed	hgh	low	720	78FA	nae			78FA FIUEX	- January 31		Over night	One month	Three artin	Sec mais	One	Lomb. Inter.	Dia. rate	Repo rate
1	(Sch) (BFr)	11.5245 33.7400	-0.09	221 - 269 350 - 450	11.5505 33.8300	33.6450	11.5098 33.68	1.5 2.1	11.4845 33.5525	22	11.2 99 5 33.0125	22 103.9 22 104.2	Belgium		3%	3%	31/4	34	32	6.00 6.00	2.50 2.50	-
rk.	(DKI) (FN)	6.2450 4.8825		435 • 465 800 - 850	6.2624 4.8925	6.2215 4.8565	6.2361 4.8737	1.7 2.2	6.2177 4.855	1.7 2.3	6,136 4,7725	1.7 105.8 2.3 83.8	Prance		3 <u>4</u> 3 <u>4</u>	3% 3%	3 <u>.</u> 3 <u>.</u>	3 <u>6</u> 3 <u>6</u>	34 35	3.10	-	4.75
w	(FFr) (DM)	5.5277 1.6377		272 - 282 374 - 380	5.5411 1.6416	5.5048 1.6294	5.5194 1.6348	1.8 2.1	5.5014 1.6288	1,9 2,2	5.4257 1.504	1.8 106.7 2.1 105.7	Germany		9 <u>2</u> 9 <u>1</u>	3 <u>7</u> 3%	3 <u>2</u> 3%	314 3 <u>3</u>	3 <u>4</u> 34	3.15 4.50	2.50	4.75 3.00
•	(Dr) (E2)	257,590 1,5905	+0.45	640 - 740 895 - 915	258.400 1.5875	255.470 1.5825	259,245 1.59	-7.2 0.3	261,815 1,5897	-6.4 8.2	272.84 1.5868	-5.9 66.6 0.2 -	Ireland		3% 5 <u>%</u>	3% 58	3 <u>2</u> 52	3 <u>2</u> 5%	3 <u>:</u> .	4.50 -	2.50 -	3.00 6.25
ount		1809.56 33.7400	-0.64	930 - 981 350 - 450	1617.25 33.9300	1607.25 33.5450	1612.29 33.68	-2B 21	1615.45 33.5525	-1.5 2.2	1616.34 33.0125	-0.4 77.5 2.2 104.2	Italy		5& 7%	51 74	59 71	5% 7 <u>4</u>	53 6 <u>0</u>	8.25	6.75	6.25 7.35
ands	(PSKr)	1.8384	-0.0032	382 - 386 840 - 670	1.8436 6.5335	1.8301	1,8346	2.5	1.8266 8.4761	2.5 0.5	1.7911 6.4505	2.6 104.0 0.5 103.5	week ago		7 <u>3</u> 2%	7½ 23	7% 2数	63 3 <u>1</u>	6 ₄ 3%	9.00	7.50 3.00	7.35 3.30
J	(Es)	164.180 138.550	-0.0\$	130 - 230	164.510 138.900	163.450 138.060	164,385 138,648	-1.5 -0.8	164,68 138,65	-1.2 -0.3	185.455 137.88	-0.8 95.8 0.5 78.3	week ago		2% 19	21 14	2弘 1数	3 <u>7.</u> 1 <u>8</u>	3 <u>4</u> 13	-	3.00 1.00	3.30
١.	(Pa) (Skir)	7.2315	-0.022	500 - 600 277 - 352	7.2526	7.2120	7.2287	0.5	7.2188	0.7	7.1715	0.8 88.3 3.1 102.5	week ago		1½ 5½	1 <u>&</u> 5%	1길 5골	174	13	-	1.00 5.00	-
land	(SFr) (E)	1,4232 1,6025	-0.012	227 - 237 020 - 030	1,4280 1,6139	1.4128 1.5957	1.4194 1.6018	3.2 0.7	1.4116 1.5997	3.3 0.7	1.3787 1.5903	O.B 94.5			514. Z	5% '5	5 <u>4</u>	5% 5%	51	-	5.00 0.50	-
	-	1.1807 0.71722	-6.001	805 - 608 -	1.1870	1.1780	1.1821	-1.4 -	1.1852	-1.5	1.2018	-1.8	week ago		Ž	¥2	*	<u> </u>	ě		0.50	<u> </u>
12 14	(Peso)	0.9996		996 - 996	0.9996	0.9996	-	-		-			# \$ LIBOR ! Interbank Ft		-	54	53	52	52	-	-	-
ı	(C\$)	1.0456 1.3481		455 - 457 478 - 483	1.0482 1.3505	1.0455 1.3407	1.3458	21	1.3407	22	1.3132	2.6 86.3	week ago US Dollar C	Da	-	54 5.17	5 <u>å</u> 5.20	5 <u>1</u> 5.29	5 <u>2</u> ; 5.51	-	_	-
No	w Peso) (S)	7.8200	-0.019	150 - 250 -	7.8250	7.8120	7.938	-18.1 -	8,2045	-19.7 -	9.065	-15.9 - - 102.8	WANK MOO		-	5.17	5.20 44	5.28 4 <u>1</u>	5.51 4 <u>2</u>	-	-	-
Middi 1	e East/A (AS)	#fca 1,3119	+0.0048	115 - 123	1.3125	1.3097	1,3134	-1.4	1.3153	-1.0	1.3208	-0.7 98.4	week 856		-	41 31	356	32 32	3%	-	Ξ	Ξ
ong	(HICS) (Re)	7.7490 35.8750	+0.0005	485 - 495 500 - 000	7,7497 35,9000	7.7485 35.8500	7,7489 36.09	0.0 -7.2	7.7494 35.55	0.5 -7.5	7.760\$ -	-0.1 -	week ago		Ξ	38	ЗÄ	34	313	. Ē.	Ξ	_
	(Y)	3.3104		064 - 144 350 - 450	3.3144 122.310	3.3041	120.925	4.7	- 119.92	- 49	115.72	4.7 123.6	Red soverell 2 reference beni Missidustik Ba	les et 116	um each	working	day. Th	e banks	are: Ban	ed to the Legra Trus	n marke 4. Bank	of Tologo
a eland	(A45)' (NZ5)	2.4853 1.4523	-0.0007	848 - 858 516 - 531	2,4890 1,4531	2.4850 1.4504	2.4882 1.4578	-1.4 -4.5	2.4935 1.4621	-1.3 -2.7	2.5148 1.4936	-1.2 - -2.8 -	Mid ration are o	ihown for	the dom	estic Mone	y Russes.				d Deposi	ts (Ds).
rabka	(Peso) (SR)	26.3500 3.7505		200 - 800 503 - 507	26.3800 3,7507	26.3200 3.7503	3.7568	-0.1	3.7512	-0.1	3.7531	-0.1	EURO C		ENC hort	YINT 7 days		ST P	IATE: Three	5 Sä	ı	Ona
ire Írica	(SS)	1,4077 4,5665		072 - 082 650 - 680	1.4092 4.5735	1.4072 4.5605	1.4055 4.6072	1.8 -10.7	1.4009 4.6822	1.9 -10.1	1.3797 4.997	2.0 - -9.4 -	Dataine Seco		MILI.	notice		onth	months			year
orea	(Won)	864.150 27.4300	-0.6	100 - 200 100 - 500	874.000 27.4500	864.000 27.4100	27.4301	0.0	27.4303	0.0	-	: :	Belgian Franc Danish Krone D-Mark	313	- 24 - 34	315 - 31	2 35∕8	- 3½ :	312 - 311 312 - 311	33 - 31 - 31 -	9 ¹ 2 9	3 - 33 4 - 35
i ate per	(Bt) StorJa	25.9150 30. Bed/o		050 - 250 In in the Dol		25.8400 le show on	26.005 within less 1	-4.2 Tree de	26.1725 camel claca	-4.0 s. Forwa	26.81 ad rates at	-3.5 - na not directly	Dutch Guilde		- 212	35 - 3 21 - 2	221	- 2%	31 ₈ - 3 3 - 212	3/6 -	2 3] 3,	34 - 3 & - 34
s the :		tere impli										al Indices Jan	French Franc Portuguese E	sc. 6 }	- 31 ₈	316 - 35 845 - 84	<u> </u>	- 837	3일 - 3년 5살 - 5월	54 -	5 <u>3</u> 3 5	13 - 3 <u>2</u> 13 - 5 <u>2</u>
													Spanish Pesa Sterling	61 ₈	- 5)1 - 5)2	63 - 53 64 - 6	6.1	- 6³s ∣	5월 - 5일 64 - 6일	6 6 6 6	55 5 6일 6	4 - BH
				UK	NTER	EST R	ATES						Swiss Franc Can. Dollar	3.	- 1½ - 2¾	1/3 - 1 3 - 21	352	- 23}	134 - 154 352 - 352	34.	34, 3	3 - 311
				LONI	OON M	ONEY	RATE	\$			-		US Dollar Italian Lira	8-	- 51 ₄	5½ - 5¾ 7% - 7½ 2 - ½	733		54 - 55 74 - 75 12 - 13	72	516 6, 618 61	
CS .	\$	Y	Ecu_	Jan 31		Over nigh				Three nonths	Şibx months	One year	Yen Aslan SSing	1 ₂	- 3g - 14	1-7		- 2 ¹ 4 :	214 - 21	2% -	24, 3,	ક - }} } - 3}
.995 .158	2.965 1.601	359.7 194 3	2.510 1.356		Sterling		12 67 -	61 61	- 61 6	1 - 6 <u>1</u>	6,7 - 6,3	6남 - 6남	Short term rate							-	9.	
.43B .823	1.B1D 0.611	219.6 74.12	1.532 0.517	Starting (Ads.	:	:	5	-57, €	. 66 . 58	-	631 - 633	E THREE I	Open					olms of		, m. 0	pen int.
.145 .084	7.592 0.062	193.1 7.542	1.348 0.053	Bank St Local au	crity dep	- s. 5%; - 6	14.57g-	5¾ 6 ³			6% - 6% 6% - 6%	67 - 64	Mar	94.40	94,4		.02	High 94.44	94.3	B 46.4	162 3	98,229
.733 .079	0.544 1.543	66.02 187.2	0.461 1.306	Descount	Market de	ps 6 ¹ 2 -	6 6 - g-	6	•	•	-	-		94.23 94.04	94.2 94.1		1.05 1.08	94.30 94.14	94.21 93.9			192,777 195,276
.821 .973	0.609	73.93 87.61	0.516 0.611	UK dear	ing bank b	ase lendir:	gra±e€p Uot		ton Oct	ober 30, 3−6	, 1996 6-9	9-12	B US TREA	SURY I	SLL F	J'TURE!	(MM)	\$1m p	er 100%	ı		
.884 .947	1.383	167.8 85.27	1.171 0.595				mon	th n	nonth (months	months	months		94.95	94.9		.03	94.96	94.9			4,706
,160 1	1.603 0.742	194.5 90.05	1.357 0.626	Certs of T	Tax dep. (ax dep. und	E \$100,000	21; 15 21 ₂ 00. 1	Deposits	51 ₂ withdrawn	5 for cast	5 114pc	434		94.80 94.62	94.6 94.6		.06	94.65 94.65	94.71 94.63			3,221 <i>7</i> 84
347 111	1 0.824	121.3 100.	0.847 0.898	قلا وفق جين	er rate of dis n 31, 1997.	Agreed rate	for period	Feb 26.	1997 to M	= 25 , 19	87, Schem	e 14.7.88pc.	All Open Intere	est figa, a	re for p	revious d	У					
592	1.181	143.3	1	House Ba	rata for per se Rata 6 ¹ 21	oc from Jan	1, 1997		, OC185119		U-1094						-					
				BANK	OF E	NGLA	ND TE	EAS	URY I	BILL	TEND	ER			BA	SE LI	ENDI	NG I	RATE	<u>s</u>		
ands i	ger pour	d)				Jan 31	Jan 24					1 Jan 24	l ——		%				%		_	%
_	Pt	T\$			pplications	<u>\$200</u> m \$2306m	£290m £1408m	Aus	paccepted e. rate of (discount	5.934	2% 5.9162% 0% 5.9134%	Adam 8 Cor Allied Irish 8		6.00		r Lawrie Benk, Lir			byel Bk o Singer &		
Feb 1.32	M 2.		Apr 2.65	Total alloc Min. acce		£400m £98.520	5200m 598,525		erage yield for at next		6.023 £20	1% 6.0018% Om £200m	Bank of Bare		6.00 6.00			n Bank 7 ng & Coi		Şmith & V cottish W		
1.80 2.41	2. 3.		3.20 3.80	Allosment	at min, Sevel	89%	57%	Ma	n. accept. i	old 92 da	ys 98.5	05 -	Banco Bilba	o Vizcaya	6.00	e Guinn	065 Ma	-	T 00.8	SB nited Ben	b od Kras	6.00
		Puts 49,8											Bank of Cyp Bank of Irela		6.00 6.00	OHank	ros Bar	k (5.00 U	nity Trust	Bersk Pl	c 6.00
				E Pour	nd in New	r Yerk		_					Bank of India	-	6.00	OHE S	emuel		W 00.8	lestem Ti Intezway	Laiden	
VI62.5	00 (S pe	r DM)		Jan 31	Close -		ev. close 1.6130		figuide Tabifig			- 1	Bardays Bar	nk	6.00		ne & Co xng & St	enghal (orkshire E	ank	5.00
	PU	T\$	_	£ apot 1 mth 3 mth	1,6011		1.6121	- 11	table can page in t	be four	nd on the		Brit Sk of Mi Brit Sk of Mi British		6.00 6.00		; Bank (CK) THE		Membe Investm		
Feb 0.32	M 0.1		Apr 0.77	3 mith 1 yr	1.5890 1.5898		1.6108 1.6008	Ľ					Chibank NA Chydesdala E	Bank	6.00 6.00	GLeopol	d Joseph	& Sons (3.00	Associa In admir	ion	-
0.53	0.1	31	0.99 1.26						_				The Co-oper	rative Bar	k6.00	Licyds i Mictano	8ank	•	B.00	ar ACTIO		
_	alla 36.97												Contage	'. <u>.</u> .	6.00	NatWe	aminsle	. (3.00			



1996 PROFIT ESTIMATED AT FF 650 MILLION

6.00

Couts & Co 6.00 NatiWestminster
Cyprus Popular Bank 6.00 @Reg Brothers

The Bouygues Board of Directors, meeting on 28 January 1997 under the chairmanship of Mr Martin Bouygues, reviewed the Group's estimated turnover and results for 1996 and the prospects for 1997.

1996 TURNOVER - 1997 PROSPECTS

(FF billion)	1997 forecast	97/96	1996 est	96/95	1995 	95/94
CONSTRUCTION ACTIVITIES Construction France International Property development	57.3 53.6 32.6 21.0 3.7	(4%) (3%) (8%) + 4% (9%)	59.6 55.5 35.3 20.2 4.1	(2%) (2%) (6%) + 7% (7%)	60.8 58.4 37.6 18.8 4.4	+ 1% + 1% (4%) + 13% + 4%
SERVICE ACTIVITIES Public utilities management Communication Telecommunications	23.4 12.4 9.8 1.2	+ 26% + 41% + 5% n.s.	18.5 8.8 9.4 0.3	+ 7% + 7% + 4% n.s.	17.3 8.2 9.1	+ 10% + 12% + 8%
OTHER ACTIVITIES	23	(27%)	3.1	(19%)	3.9	(2%)
TOTAL	83.0	+ 2%	81.2	(1%)	82.0	+ 3%

These figures reflect the decline in our construction FF 83 billion, a rise of 2%, trustiness in France, offset by strong growth in service for consolidated turnover for 1997, which will activities.

Turnover for Other Activities, which include Grands
Moulins de Paris, Engineering and Cinema, fell in
1996 and will continue to fall in 1997, notably as a result of the sale of HDR Inc. in July 1996. a result of the sale of HUR Inc. in July 1996. In 1997, total Group turnover is expected to reach

to FF 82.4 billion.

The difference of FF 0.6 billion between consolidated tumover and total group tumover in 1997 is due to the proportional consolidation of Bouyguss Telecom in the consolidated accounts.

1996 PROFITS

Exceptional provisions of FF 3.3 billion constituted a train on 1995 profits. 1996 profits should thus be compared with those recorded in 1994.

(FF priison)	1996 est	1994	Private Commence and	8/94	1995
NET PROFITEOSS	1.250	1,072		736	2,230
Attributable to the Group Minoray interests	650 500	573 199		23%	(2,912) 582
A decline in profits from	construction acti	littles was IP	suit of the far	ricable: man	sures taken by 1

mainly offset by locassed profits from septice. Government, assertations of interdual nousing hims archites and capital gams.

Boorgast immobilier has moved into the Mack, diguest on increase of 20% in actions and 20% in recording estimated profit of FI 15 million. As a function. TELECOMMUNICATIONS

The medite prions natural has get of that good start. Brangues relecton server nearly 100,000 customers, and greatly forceds the target set in its instance. piet.
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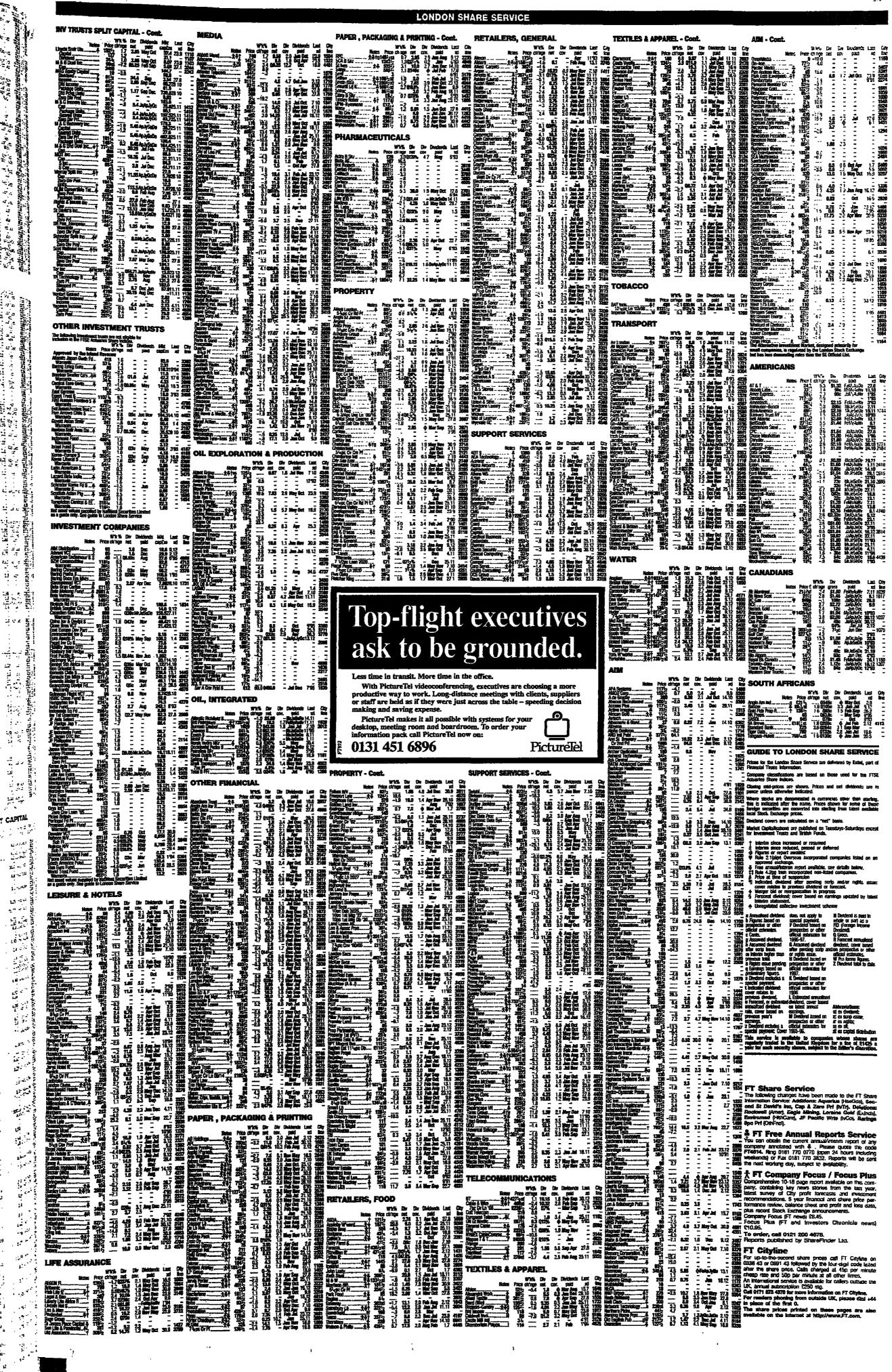
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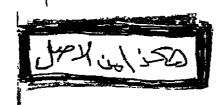
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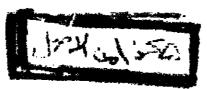






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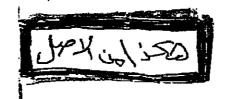
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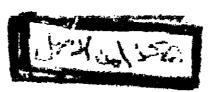
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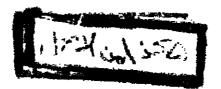
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V -0.52 12 874 31% 30% 31½ ½ 2 47% 7% 7% 1175 11% 11% 11% 1% +18 int Res 2114 154 1512 1512 Penn Virg 1,80 18 178 45 42-3, 43-3, -1-3, Und Fooded US Come 0.50 14 23 420 2 1974 20 3 + 3 34 6116 30¹8 28¹2 29⁵8 +1¹4 Vaiseoni∯ 0.40 18 1395 30¾, 37½ 39½ +1½ Gersal Gersalier 2749388 22% 20% 20% -1% 232 37¹2 36¹4 36¹4 -1¹4 Minosada 24 1578 484 474 484 +18 71 1020 15 14¹4 15 +⁵8 Vingra Cell Collager 0.20 & 407 21 2 20 4 21 4 1/2 Colla Sen 1.30 11 301 22 21 2 21 2 z100 7½ 7½ 7½ 15 53 25 245 245 20 % 12 % Various 0.36 8 25 1914 1914 1914 -12 PeopBnkC1x058 16 237 33³2 32¹2 33¹4 + 38 9115 107₈ 103₈ 101₂ Combres: 0.20 15 44.u351₈ 355₈ 361₈ +1₈ Cont Pida 0.01 352 41₄ 44₈ 44₆ +1₈ Common 19 53 275₈ 271₂ 271₂ -1₈ Complets 197 117₈ 1111₈ -1₈ Computer: 40 2 2 2 Conce Pida 16 43 61₄ 61₄ 61₄ 87 2218 34½ 34 34 ¾ 83 5288 34½ 34½ 34½ ¼ 1.12 17 412 13 12% 13 ⅓ 121 341 28 27¹4 28 56 74 612 12 18634 1954 1732 1834 +58 Verdrigen Peoples H 0.72 13 562 251, 287, 29 1, Correir x 0.24 1223699 20% 19% 20% 27 1381 175 167 174 -4 Peroleoft 3207 55% 54% 54% WHET 0.09 2830 18¹g 17¹2 18¹g +¹4 020 2772234 01641803418234 +23g Perripo 21 2183 105g 105g 105g 5+16g 4181 47g 43g 44g +2g Petrolitex 1.12 30 66 48 4832 48 +32 22 123 113 113 -5 intel x 7473 14 12 1 +10 | New Paul Dev 4 188 8/2 8/2 8/2 14 4720 9874 9812 3812 | NY TIMA 0.60 54 1370 3852 3813 3852 14 D.08 19196 18.52 18 18³6 + ¹4 24 3582 134 134 135 -3 HenDir Commissions 0.78 15 380 48 473g 473g -3g intigratE 138 12 14 12 14 0.40 18 1742 597, 3912 3912 19 374 174 161₂ 161₂ -4 PETSMART WLSI Tech 5297 23¹4 22¹4 22¹4 -14 3537058 16³4 16³8 16³2 +³8 Inter Tel 2766 284, 27%, 284, -12 ConsumC 0.25 17 619 19% 18% 19% +% PierreDer 57 3589 29¹2 28¹2 29 +²1 Volen B 0.50 1520 24/2 2372 2373 🛶 intericeA 894 3% BL 12 +12 Comprists 23998 83, 673, 8 -2 Phoenxich 27 814 16 153 154 -4 inigaiz 6705 1118 10% 11 +14 柳溢温温井 PhysCpAin 992 10 % 9월 4년 2388 15 14 15 +18 2011049 18% 18 18¹2 +38 20 1388 104 9% 10 4 Picturete - 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MONDAY

Figures of fun

Europe's statisticians step into the limelight with the publication of a report on the validity of practices being used by some countries to qualify for the single currency. The report by Eurostat, the statistical wing of the European Commission, is likely to have a crucial bearing on which nations qualify for European monetary union in 1999. It is likely to deal primarily with attempts by countries particularly Belgium and Italy – to reduce budget deficits in line with the Maastricht treaty. It will deal with issues such as the sale of gold reserves and state-owned companies, and the

Imran Khan at the crease

imposition of one-off income taxes.

Pakistanis elect a government to succeed Benazir Bhutto, whose administration was thrown out on corruption and other charges. The Muslim League party of Nawaz Sherif, the former prime minister, is expected to win after a lacklustre campaign enlivened somewhat by the anticorruption crusade of the Tehreek-iinsaf (Justice Movement) party of Imran Khan, the former cricket captain. The controversy over Imran's celebrity wife Jemima Goldsmith and his alleged love child by Sita White are unlikely to impress voters, however. Ms Bhutto's own vote looks split in her political homeland of Sindh province.

Public holidays Mozambique, São Tomé.

Tennis Austrian Open women's tournament.

Linz (to Feb 9).

TUESDAY

Kohl digs for Berlin

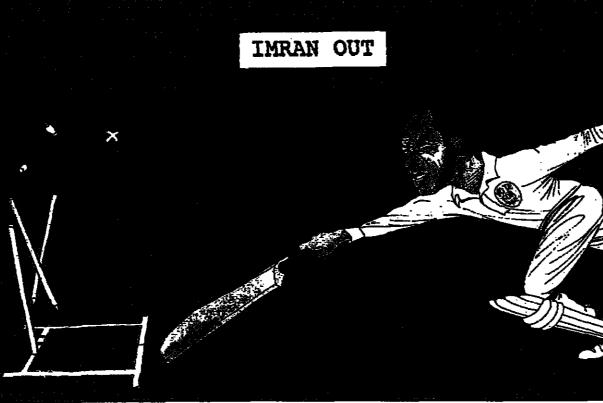


Helmut Kohl will break the earth at the site of the planned new chancellery building in Berlin. The ceremony is a further step in

the transferring of the German government from Bonn to Berlin, which is already officially the capital city. Located near the Reichstag, the building is designed by the Berlin architects Axel Schultes and Charlotte Frank. It will be completed in 2000. The Reichstag's renovation by the British architect Sir Norman Foster is to be completed by early 1999.

Labour on the roads

Britain's opposition Labour party lays out its policies on transport and business at a conference in London. In addition to Tony Blair, the Labour leader, speakers will include Neil Kinnock, the former party leader and



turning for office on a tricky wicket; a difficult political test for former cricketer Imran Khan in the Pakistan election

now the European Union transport commissioner. Party spokesmen will cover areas such as the development of an integrated transport policy. management of congestion and reform of the private finance initiative.

Ruling on Tapie appeal France's highest appeals court, the Cour de Cassation, considers the penalties imposed on Bernard Tapie. the businessman and politician, who has been convicted of football match rigging. Under the normal rules, Mr

Tapie should be obliged to spend the

Clinton on the Hill

previous night in jail.

US President Bill Clinton makes the annual state of the union address to Congress and the country. He is expected to provide the meat and potatoes policy proposals touched on only lightly in his inaugural speech. There will be much on the right way to balance the budget and on reform of federal medical health insurance, as well as some references to foreign affairs. More details will follow on Thursday, when Mr Clinton sends his 1997-1998 fiscal year budget to Capitol Hill.

Tung's advisers meet

Hong Kong's newly appointed group of advisers to Tung Chee-hwa, who becomes the territory's first post-colonial leader on July 1, conduct their first meeting. The executive council is drawn largely from business and pro-Beijing groups. However, it includes two members who serve on the executive council of the governor, Chris Patten. The behind-the-doors meeting follows the inaugural one in southern China of the provisional

December factory orders

December factory inventories

December home completions

January unemployment, east1

legislature, the Beijing-backed body set up in parallel with the elected one.

Election in Brazil congress

In elections that could have an important bearing on a constitutional change to allow Fernando Cardoso, the Brazilian president, to stand for re-election, the Congress votes for new presidents in the Chamber of Deputies and the Senate. If the government's allies lose, there could be another dispute between the parties in the government coalition, threatening to derail the re-election amendment.

Fed reviews interest rates



unlikely to be changed at a meeting of the US Federal Reserve's open markets committee. The two-day meeting gives the monetary policy committee the chance to review 1996 and to consider the prognosis for 1997. The Fed last cut interest rates a year ago, in response to evidence of a slowing economy. Since then momentum has clearly picked up: last week's GDP figures showed the economy grew by 2.5 per cent in 1996. But there is still little evidence of a serious upturn in inflation.

Statistics to be released this week

FT Survey Mercosur.

ECONOMIC DIARY

Public holidays Angola, Sri Lanka

Strike in Ecuador

WEDNESDAY

Ecuadorians take to the streets in a protest against the six-month-old government of Abdala Bucaram. The president's popularity has sunk to 12 per cent, according to pollsters. The protest began as a strike by the United Workers' Front and the teachers' union, but has won support from several sectors, including business leaders. As well as denotinging government authoritarianism, nepotism and corruption, they want Mr Bucaram - who ran for the presidency on a populist platform - to withdraw recent cuts in subsidies for public services, fuel and transport, and to

FT Survey FT Review of Information Technology.

cancel a currency convertibility plan.

Public holidays

Burundi, Mexico, San Marino.

THURSDAY

Pyramid selling banned While thousands riot in Albania over the loss of their savings in pyramid finance schemes, laws banning pyramid selling come into force in the UK. It will be a criminal offence to nersuade somebody to invest money in a get-rich-quick scheme that promises benefits only by getting others to

follow suit. The maximum penalty will be two years in jail and/or a £5,000 fine. However, there is concern that existing schemes might circumvent the law by, for instance, including a token product in their transactions.

Not the cruellest cut

Six days of carnival festivities commence in Germany's Rhineland region on Weiberfastnacht, the day when women have the licence to cut off men's ties.

Cricket

Second Test, Wellington: New Zealand England (to Feb 10).

Golf

South African Open, Glendower, Johannesburg (to Feb 9).

FT Survey The Business of Travel.

Public holidays China, Hong Kong, Macau, New

Zealand, Switzerland, Taiwan. FRIDAY

Prodi visits Kohl

Romano Prodi, the Italian prime minister, arrives in Bonn for discussions on European integration and his country's plans for joining the single currency. The meeting with Helmut Kohl, the German chancellor, is one of a series of bilateral consultations and comes amid signs that Italy is becoming less insistent on joining the proposed economic and monetary union in the first wave - providing there are no barriers to its membership if Italy meets the conditions shortly afterwards. Mr Kohl is expected to emphasise that decisions on Emu membership do not have to be taken until next year and that the entry rules are in the Masstricht treaty.

Mandela opens parliament

Nelson Mandela, the South African president, opens the 1997 session of parliament, the first since the country's new constitution was finalised last year. Mr Mandela has met opposition parties and the ruling African National Congress has renewed its efforts to agree on a timetable for further economic reform. Mr Mandela is likely to outline the first phase of a privatisation programme, and possibly announce plans to bring the mainly white Democratic Party into the cabinet - a move discreetly encouraged by the Anglo American corporation. The markets will be hoping for promises of a speedier abolition of exchange controls.

Year of the Ox

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Statistics, courtesy MMS International

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5.3%

\$6.5bn

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The Chinese new year begins, heralding public holidays throughout east Asia. Calculated according to the lunar calendar, which is followed closely in the region, it marks the start of the Year of the Ox. Each of the 12

animal symbols in the Chinese zodiac represents one year. According to Chinese astrologers, those born in the Year of the Ox are hard-working. patient and stubborn. Perhaps this year will prove a happier one for bovine animals than the last.

Public holidays China, Grenada, Hong Kong, Korea, Macau, Malaysia, Mauritius, Mongolia, Singapore, Taiwan.

SATURDAY

G7 finance ministers meet

The strong US dollar and the EU's plans for economic and monetary union from January 1999 will dominate discussions of the world economy by finance ministers of the Group of Seven leading industrial nations. The ministers from the US, Japan, Germany, France, Britain, Italy and Canada meet in Berlin to compare notes on their respective economies and examine recent financial market trends. G7 central bank governors will also take part.

Manila deregulates oil



Full deregu lation of the Philippine oil sector begins a month ahead of schedule because of the exhaustion of a buffer fund. The govern-

ment's oil price stabilisation fund protected consumers from global price Inctuations, Now in deficit, it owes 2.4bn pesos (£56.5m) to Shell, Petron and Caltex. Deregulation began last August with regular price rises, provoking nationwide protests. Foreign companies, including Thai Petrochemicals Industry, British Petroleum and Mobil, have already expressed interest in the Philippine market.

Public holidays

Bhutan, Brunei, China, Hong Kong, Iraq, Korea, Macau, Mongolia, Singapore, Slovenia, Taiwan.

SUNDAY

Democracy in Gabon

The central African state of Gabon holds a second round of elections for a new upper house of parliament as part of a democratic timetable agreed in Paris in 1994 to defuse political violence. Last week, President Omar Bongo, who has ruled the former French colony since 1968, asked Paulin Obame Nguema, the transitional prime minister, to form a government. Guy Ndzouba Ndama, who was chairman of Bongo's ruling Democratic Party in the outgoing assembly, has been elected chairman of the new one.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194

Other economic news

Monday: The UK purchasing managers survey will give the latest indication of the strong pound's effect on British industry. UK M0 money supply growth is thought to have slowed in January.

Tuesday: The US Federal Reserve's open markets committee meets to discuss interest rates. Mr Robert Rubin, US treasury secretary, testifies to the Senate budget committee. Wednesday: The US FOMC

meeting continues. Mr Eddie George, governor of the Bank of England, is likely to urge Mr Kenneth Clarke, the UK chancellor, to raise interest rates when they meet to discuss the economy. Few economists expect UK rates to be raised.

Thursday: UK manufacturing output is forecast to have recovered in December after falling in November.

Friday: The US employ-ment report is expected to show greater job creation last month. US consumer credit figures are published. The Confederation of British Industry's distributive trades survey will show if Britain's shops recovered in January after disappointing December sales.

Day Released	Country	Economic :	Medica Forecest	Previous Actual	Day Released Country	Economio Statistic	M Fy
Mon .	Japan	Automobile sales**		13.1%	UK	December industrial production**	1,
Feb 3	Japan .	January foreign exchange reserves		0.3%	ÚK	December manufacturing output	.0
-	Spain .	December producer price index*	0.1%	0.2%	UK	December manufacturing output	1.
1	Spain	December producer price index	1.8%	1.6%	Frl Nethids	January consumer price index*	0.
	UK ·	January MO*	-0.1%	0.9%	Feb 7 Neth da	Jenuary consumer price-index**	2
	ÙK.	January M0**	7.3%	7.1%	UK	January cyclical indicators UK econom	тy
	us	December personal income	- D.796	0.5%	Sweden	January unemployment	.8.
-	- US	Dec personal consumer expenditure	0.5%	0.5%	US	January non-farm payroli	18
· . · ·	US	Jan domestic automobile sales	6.5m	6.6m	US	January menufacturing payroll	10
· . · ·	US	Jan Nettonel Ass Purch Managers	53.5%	53.8%	US	January hourly earnings	0.
	'US.	December construction spending	-0.4%	1.9%	US	January average work week	
	Chile	January consumer price index**	6.77%	6.6%	US	January unemployment rata	5.
Tues	Italy .	Jan cons price index (ex-tobacco)*	0.2%	0.1%	US	December wholesale trade	
Feb 4	Italy	Jan cons price Index (ex-tobacco)**	2.6%	2.6%	us	December consumer credit	. \$6
	UK	December housing starts	7. <u>*</u>	n∕a .	Mexico	December trade balance, final	S
	.UK	January official reserves		-\$109m	During the week		÷
	us	Decamber leading indicators	0.2%	0.1%	Germany	December indust prod, pan German*	-0
	us	Redbook February 1	1 . :-	0.8%	- Сегталу	December manuf output pen German*	-9
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ACROSS 1 Descriptive of a candle base

- Rusiness award in force (8) Transport for student with a university final (6) 10 Sportsman performs acro-batics after the high jump
- (8)
 11 European composer (6)
 12 One forced to share his time with another (4-4)
 13 Reserved for the cast (3)
 14 Many invited to 2 kind of ball (6)
 17 Man in a contract of the cast (6)
- ball (6)

 17 Man in a whirl engine fuel his trouble? (7)

 21 She provides father with a cooked meal (6)
- 29 Time to wrap up (6) 30 Tie up damaged net and fish (8) 31 Joint account end of sol-
- DOWN 1 Etonian version of squash?

Wed US

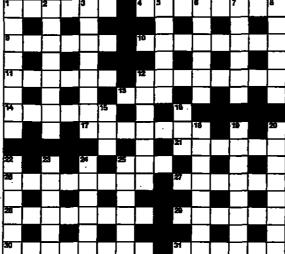
Feb 5 US

US

Feb 6 Germany

Germany

- mpare quality of TV control (8) 3 Call-up date wrongly issued
- Roy and Ken work together in Scottish authority (6) Representations seldom 6 Representations sentom made (6)
 7 The French always turn up for this show (6)
 8 With the organ study over, got paid employment (6)
 12 Sign of private advancement (7)
 15 Air moisture expected, they
- 21 She provides father with a cooked meal (6)
 25 May be bent on catching fish (3)
 26 Cemtaurs? (8)
 27 Surplus wealth? (6)
 28 Shortage of transport in southern metropolis (8)
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 24 Yetted an order, causing relative bitterness (8)
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 - relative bitterness (8)
 20 Daisy emiers city from the west (8)
 22 Sounds like it's engraved without emballishment (6)
 23 Progressed quickly in skill, being thorough (6)
 24 It shows the hazard to be a swindle (6)
 - swindle (6)
 25 One's occupation may require this regular pay-



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MONDAY PRIZE CROSSWORD

Dec net foreign securities purchase

January trade balance (1st 20) nont

December current account (IMF) nont

December manuf orders pan German* -0.5%

No.9,290 Set by DANTE

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday February 13, marked Monday Crossword 9,290 on the envelope, to the Financial Times, 1 Sourthwark Bridge, London SEI 9HL. Solution on Monday February 17. Please allow 28 days for delivery of wriges.

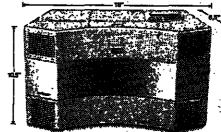
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